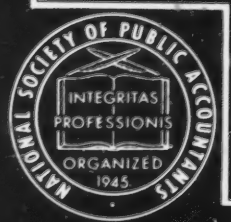
INCOME AND FEES

of Accountants in Public Practice

A 1978 SURVEY REPORT BY THE NATIONAL SOCIETY OF PUBLIC ACCOUNTANTS



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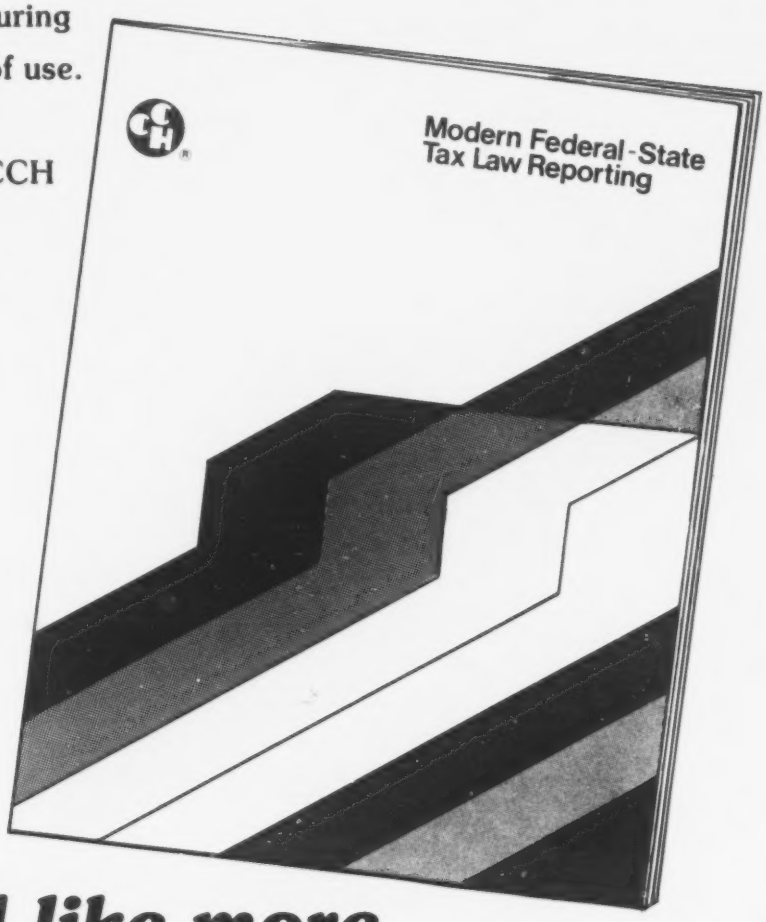

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of Accountants in Public Practice

A 1978 SURVEY REPORT

NATIONAL SOCIETY OF PUBLIC ACCOUNTANTS

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Highlights . . .

from

INCOME AND FEES
of Accountants in Public Practice
1978 NSPA Survey Report

- Average GROSS income of the independent professional accounting firm is $67,000 for 1978, $62,000 for 1977 and $56,000 for 1976.
- Average NET income is $33,000 for 1978, $31,000 for 1977 and $27,000 for 1976.
- The median number of write-up accounts per firm is 31, median number of accounting clients is 10; median number of audit clients is 6.
- The average firm earns 31% of its income from tax services, 44% from write-up work, 16% from accounting, 5% from auditing, 3% from management advisory services, and 1% from other sources.
- Approximately 57% of all income of the typical accounting firm is derived from fixed fees.
- Average hourly rate for write-up work is $21, for accounting $27, for auditing $26. Average hourly fee for management advisory services is $32.
- Average charges for completing income tax returns: 1040 not itemized, $22; 1040 itemized, $51; 1065 partnership, $117; and 1120 corporation, $203.
- About 55% of all respondents rent office space; 26% own or rent all or part of their office building; 19% use their home for an office. Average monthly cost for renting is $284.
- 32% of all respondents use a computer service bureau for preparation of tax returns, but 47% use the computer for accounting or other services.

(See Highlights Table on pages 4 and 5.)

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Foreword

This is the fourth nationwide all-member Income and Fees Survey undertaken by the National Society of Public Accountants. The program is evolving into a periodic analysis of trends in the economic aspects of a public accounting practice.

The response in 1978 by NSPA members to the survey questionnaire was even greater than in 1975, and clearly indicates not only a spirit of professional cooperation, but also a keen and practical need for the types of data available in this survey report. These survey statistics about the economics of the public accounting profession are primarily intended for the internal use of practitioner firms and the public generally.

We wish to acknowledge here the support of Commerce Clearing House, Inc., whose assistance enabled us to publish this report. We invite your attention to their full-page advertisements on the inside front and inside back covers of this book.

We also wish to acknowledge with appreciation the outstanding services rendered by Carl H. Priestland of Priestland Associates, Alexandria, Virginia, who served in a professional consulting capacity in the development of the questionnaire, and who provided the analysis and interpretation of the data obtained by computer.

And finally, deep thanks must also be extended to the National Society's members who cooperated so splendidly in this significant survey project. Their prompt and enthusiastic response was an indispensable contribution.

Washington, D.C.
December, 1978

Stanley H. Stearman, CAE
Executive Vice President

Introduction

This fourth Income and Fee Survey of the membership of the National Society of Public Accountants is part of an on-going program to provide members with a great variety of information on income, fees and practice characteristics of accountants in public practice in the United States. The latest figures update the three previous studies done in 1968, 1972 and 1975. The 1978 survey covers the same areas as the 1972 and 1975 studies and almost all of the same areas as the 1968 study. As a consequence, there is a substantial amount of comparative information now available to show trends during the last 11 years.

Approximately 16,000 questionnaires were mailed to NSPA members. Over 4,200 members responded, giving a 26% return, a return equal to the 1975 survey. Because of the outstanding response to this survey, it is felt that the results are truly representative of the incomes, fees and practices of public accountants in the United States.

The latest survey actually reports the responses of 3,175 respondents. The majority of questionnaires not used came from part-time practitioners. There were also many questionnaires which were received too late to be included in the sample. A copy of the questionnaire is shown at the back of this report.

Types of Data

The NSPA Member Income and Fees Survey covers six general areas of interest to all practicing accountants: (1) tax return fees and policies, (2) number of clients, (3) income by type of service, (4) hourly billing fees of principals, employees, and type of service performed, (5) office facilities and data processing use, and (6) gross and net income, together with employee cost and expense levels as well as some general characteristics of the sample.

Data are presented in three distinct ways. Information dealing with procedures, i.e., "yes-no" questions, is reported by the number of respondents answering the question. Data on fees and incomes are shown in averages and medians. The average of an hourly fee, for example, is the mathematical sum of all fees reported, divided by the number of fees reported. For all hourly fees the average is used.

In the case of income data and number of clients, the median is employed. The median is the center value in any series of numbers. For example, if numbers are listed from one to 25, the midpoint would be 13. Thirteen, then, is the median value, because 50% of the numbers of the sample are below 13 and 50% are above. The median is used when there is a wide range of data and extremes would distort the average.

The data in all of the tables of this report are for the firm. For purposes of this study, a sole practitioner is considered a "firm." Each of the returns represents the fees, income and practices of one firm. When a member was not a principal of the firm, he was requested not to return the questionnaire; thus, generally only one questionnaire was completed per firm; the principal of a proprietorship and the senior partner of a partnership usually filled out the questionnaire.

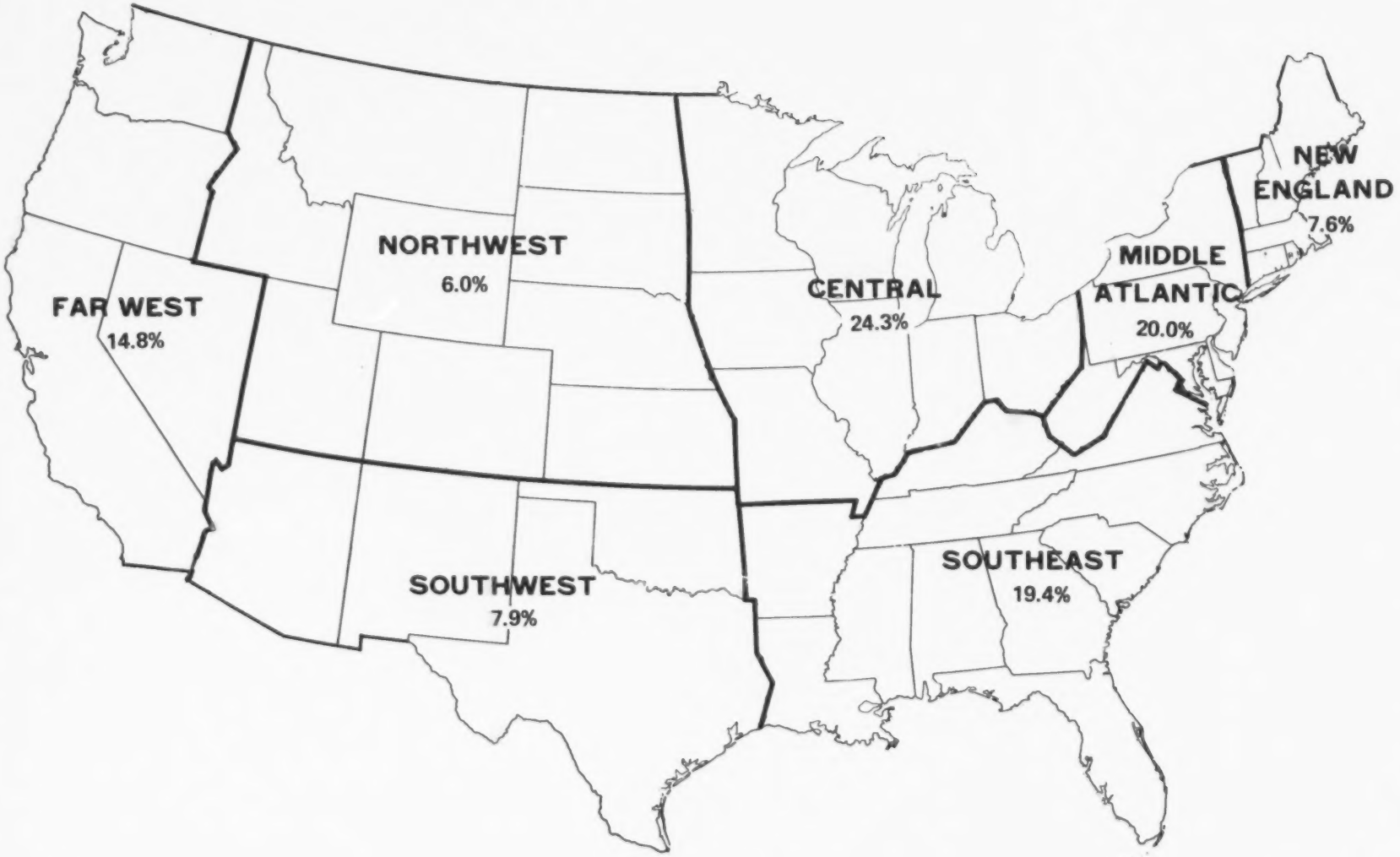
Reporting and analyzing data of the whole sample are only a small part of this study; the major part is analysis of the data in eight different ways: by seven geographical regions, nine major metropolitan areas, six sizes of cities in terms of population, size of firm, number of full-time employees of the firm, the firm's gross and net income, primary source of firm's income and by years in public practice of the principal.

In order to present the data with greatest clarity, each table is divided to show all the variations of one question or fact separately. For example, Table 1 shows the minimum and average fees charged for Forms 1040, 1065, and 1120 tax returns by the total sample and by geographical and population size. Table 2 shows the same information for firm size, etc.

The map of the United States indicates the distribution of returns received from NSPA members and used in the survey report. The smallest number of returns from any one region is 190 from the Northwest. The highest number is 773 from the Central region. All regional data can be considered as representative of their areas, since all regions contain a sufficiently large number of responses.

All the statistical information obtained from the questionnaires is reported throughout this survey report. In addition, some of the most important findings have been highlighted in another type of presentation in this report.

DISTRIBUTION OF RETURNS BY GEOGRAPHICAL REGION



- There are nine charts which give a graphic presentation of the data which are found in some of the tables and described more fully in the respective chapters. (See Figures 1 through 9).
- There is a special Highlights Table on the following two pages which summarizes some of the most important facts contained in the entire survey report.

The survey form used for the current study is exactly the same as for the 1975 study. There were no changes in questions or in the categories listed in the income questions.

Highlights Table

This double-purpose table is a quick reference to some of the more important findings of the study. It contains selected data from the body of the study presented by survey totals and geographical regions. It also gives the practicing accountant an idea of the extensive information which he can obtain from the study. However, the Highlights Table is not intended to replace careful inspection of the data in the following 32 tables, since only selected data delineated by region are reported in the Highlights Table.

In one glance at the Highlights Tables, the practicing accountant can see, for instance, that the average charge for a Form 1040 not itemized is $2.00 less in the Central region than in the nation as a whole; and that 38% of the accounting firms in the Southwest region charge a separate fee for state and/or local income tax forms, while on the average only 21% of all accountants reporting in the survey did so. There are many such comparisons possible in the Highlights Table.

While it is not possible to point out all the interesting facts in the Highlights Table in this introduction, it is worthwnile to look at the figures and note whether regional differences affect them. For example, fees charged for tax returns are definitely influenced by region. In two tax return categories, the Far West region has the highest average fees, and in all four the Central region has the lowest average fees. The proportion of accountants charging a separate fee for state and/or local tax returns varies from 14% in the Far West and Northwest to 38% in the Southwest region.

The median number of clients by type of service* varies, but the greatest difference is found in write-up clients. In New England, half of the reporting accountants have more than 26 accounts and half have less. In the Central region the median number of write-up clients is 38. All fee and income data vary by region. In fact, almost all the data presented in this table show regional variations.

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*Write-up clients *are characterized as those for whom the practicing accountant provides a bookeeping service, i.e., journals, ledgers, payrolls, etc., and prepares periodic financial statements.* Accounting clients *are those having a bookeeper on their premises, with the accountant beginning his service by working from a pre-adjusted trial balance. For* audit clients *the accountant inspects their records to provide analyses, test reports, confirmations, proofs, opinions or disclaimers.*

Highlights of the Income and Fee Survey

	Survey Totals	REGIONS						
		New England	Middle Atlantic	Southeast	Central	Northwest	Southwest	Far West
Average fee charged for tax returns								
1040 Not itemized	$22	$21	$25	$21	$20	$21	$22	$27
1040 Itemized	$51	$43	$60	$47	$42	$44	$50	$64
1065 Partnership	$117	$124	$143	$109	$100	$107	$104	$131
1120 Corporation	$203	$251	$243	$190	$173	$182	$177	$217
One fee for federal & state/local returns	79%	76%	85%	73%	81%	86%	62%	86%
Separate fees	21%	24%	15%	27%	19%	14%	38%	14%
Additional fee charged if IRS audit	74%	76%	80%	67%	72%	67%	74%	78%
Not charged	26%	24%	20%	33%	28%	33%	26%	22%
Median No. of clients (exclusive of annual income-tax clients)								
Write-up accts.	31	26	30	36	38	30	31	30
Acctg. clients	10	12	10	9	10	9	8	9
Auditing clients	6	6	6	6	6	6	6	5
Distribution of gross income by billing								
Fixed fee	57%	54%	62%	63%	57%	33%	53%	54%
Hourly fee	41%	45%	37%	35%	41%	66%	43%	44%
Other	2%	1%	1%	2%	2%	1%	4%	2%
Average hourly fees								
Write-up accts.	$21	$20	$23	$19	$20	$16	$19	$22
Accounting clients	$27	$27	$29	$25	$25	$22	$26	$29
Principals' billing date	$30	$30	$33	$28	$28	$25	$28	$34
Monthly average fixed fee	$104	$103	$120	$91	$92	$105	$105	$123
Firm performs management advisory services	48%	51%	43%	44%	49%	56%	56%	48%
Does not perform	52%	49%	57%	56%	51%	44%	44%	52%
Average hourly fee for mgmt. advisory services	$32	$32	$35	$31	$31	$27	$31	$37

	Survey Totals	REGIONS						
		New England	Middle Atlantic	Southeast	Central	Northwest	Southwest	Far West
Office facilities and average rent								
Own office building	26%	20%	18%	32%	29%	28%	29%	22%
Office rented	55%	54%	52%	55%	54%	53%	55%	62%
Office in home	19%	26%	30%	13%	17%	19%	16%	16%
Aver. mo. rent	$284	$266	$289	$238	$297	$252	$281	$330
Use data processing equipment for other than tax returns	47%	34%	33%	50%	53%	56%	52%	51%
Do not use it	53%	66%	67%	50%	47%	44%	48%	49%
Firm owns equipment	40%	25%	31%	51%	40%	45%	50%	30%
Leases equipment	7%	6%	4%	6%	8%	11%	11%	6%
Uses service bureau with input equip. in office	16%	15%	9%	20%	15%	7%	12%	26%
No input equip. in office	37%	54%	56%	23%	37%	37%	27%	38%
Median net income								
1976	$22,000	$22,000	$24,000	$20,000	$23,000	$22,000	$20,000	$24,000
1977	$25,000	$24,000	$27,000	$23,000	$25,000	$23,000	$23,000	$27,000
1978	$27,000	$26,000	$29,000	$25,000	$27,000	$25,000	$24,000	$30,000
Median net income share per partner								
1978	$27,000	$40,000	$28,000	$25,000	$30,000	$28,000	$20,000	$31,000
Median net income 1978 by size of firm								
Proprietor with no full-time employees	$20,000	$20,000	$23,000	$18,000	$19,000	$18,000	$18,000	$22,000
Proprietor with full-time employees	$29,000	$29,000	$31,000	$25,000	$28,000	$27,000	$27,000	$32,000
Two partners	$50,000	$68,000	$55,000	$43,000	$50,000	$47,000	$38,000	$61,000
Three or more partners	$72,000	$113,000	$91,000	$46,000	$69,000	$97,000	$42,000	$95,000

Description of Table Construction

Before turning to the specific data on the tables, it would be helpful to examine their make-up. Information on each subject is reported for all returns and in most cases by each of eight separate characteristics. It should be noted that most of the totals for the eight characteristics add to the total number of returns analyzed (3,175). In the case of the number of firms by years in practice, the number is 18 lower than 3,175 because of 18 respondents who did not answer the question on years in practice. In two other cases — metropolitan areas and number of employees of the firm — the analysis of the data is limited to a specific portion of the total returns.

Most of the data are reported on two tables for each question in the survey. The first table contains data by region, by metropolitan area and by population. The second table presents the same data reported by the size of the firm and by number of full-time employees, by primary source of income, by gross income, and by the number of years the principal of the firm has been in public practice.

Data from respondents are classified by seven geographical areas, nine metropolitan areas, and six population sizes of cities.(see Table 1, for example). The map in the introduction shows how the U.S. is divided into seven regions. All respondents were requested to report the population size of the city in which their practice is located. If their practice is within a metropolitan area, such as New York City, they were asked to report the population of the metropolitan area rather than that of the city where the office is situated. There are 715 returns from firms with practices in cities having a population of one million or more. Of these, 451 are from the nine major metropolitan areas chosen to be reported separately for this study.

The second table used to report most of the data from each question shows a breakdown by five additional characteristics (see Table 2, for example). The first characteristic listed is the size of the firm in terms of organization, i.e., proprietorship and partnership. The reporting firms are classified into four groups: proprietorship firms with no full-time employees, proprietorships with full-time employees, two-partner firms, and three-or-more-partner firms.

Next, the data are reported by the number of full-time employees in the firm. Because the number of part-time employees varies widely among the firms, it is necessary to limit the analysis to a comparison of data for firms employing only full-time personnel. There are some partnerships that do not have full-time employees. Almost all of these firms are two-partner firms with only part-time help.

All 3,175 returns are classified by gross income for 1978. Since all answers pertain to 1978 practices, the estimated 1978 income data are used to show relationships between income and fees and practices.

Since the type of service offered by an accountant reflects differences in fees and practices, the returns are classified by the major revenue of the firm. If a firm receives 50% or more of its gross income from tax services, it is so classified. If it received 50% or more of its income from accounting or write-up work it is classified thus. Firms not primarily in the first two groups, plus all those firms primarily engaged in auditing, are classified in the third group.

Experience is also thought to be a significant influence on fees and practices. All respondents but 18 reported the number of years they have been in practice. This excludes time worked for others.

CHAPTER I

Income Tax Return Fees and Practices

Accountants for whom tax services are an important part of their practice will probably find this first chapter the most interesting of the entire report. The minimum and average fees charged for completing individual (1040), partnership (1065) and corporate (1120) federal income tax returns are reported in considerable detail.

The coverage of these fees is also discussed, i.e., whether or not the fee includes the cost of filling out state and/or local income tax returns. The handling of IRS audits and the fees charged for representing clients are also covered in this chapter.

Tax Return Fees

Average fees charged by respondents for tax returns are reported in Tables 1 and 2. Median fees are reported for the survey total only. Respondents were requested to report two fees for each of four tax returns: the first is their minimum charge; the lowest fee they generally accept to complete the tax return for a client; the second fee is the average fee received for completing a given tax return.

For all respondents the average minimum fee for a Form 1040 not itemized is $18, while for a 1040 itemized the minimum is $32. The minimum charge for a partnership tax form (1065) is $80 and $129 for a corporate tax form (1120).

The minimum fees for all four tax forms have continued to rise at an increasing rate. In 1968 the minimum for a 1040 not itemized was $9, $11 in 1972, $14 in 1975 and $18 in 1978. The percentage increases for all the tax form minimum charges show increasing or equal growth for the 1972-1978 period.

In contrast to the previous study where average charges increased at a slower rate than minimum charges over the 1968-1975 period, the average charges show faster gains in this survey. The average charge for a 1040 not itemized in 1972 was $14, increasing 21% to $17 in 1975. In the last three years this average has gone up to $22, which is an increase of 29%. Similarly, between 1975 and 1978 the average fee for the 1040 itemized increased 31% to $51, for Form 1065 rose 33% to $117, and for Form 1120 went up 23% to $203.

There has been a slight change in the geographical pattern of fees since the last survey. New England and the Far West tended to have the highest fees for the various tax forms in the last survey. The current study shows that the Far West still reports fees among the highest, but the Middle Atlantic rather than New England is the other consistently high area. The Central and Northwest regions continue to report most of the lowest fees.

Most of the nine metropolitan areas listed in the study have higher fees than the overall averages, a fact corroborated in the data regarding population size. In areas with one million or more population, both minimum and average fees are higher than in areas with smaller populations. For some of the cities listed, particularly Chicago, Cleveland and Minneapolis-St. Paul, the minimums and averages are not higher than the overall figures in many cases.

As the size of metropolitan areas increases, the fees for completing these tax returns rises also. There are some exceptions to this pattern, but no generalization can be established.

In four cases two-partner firms charge fees less than proprietorships with full-time employees. Three-or-more-partner firms always charged the highest fees. In terms of number of full-time employees, there is only one case where the fee does not increase with the number of employees.

With only one exception minimum and average fees increase as the gross income of the firm increases. This pattern is clearer than it was for the previous survey where in many cases the second income category ($15,000 - $19,999) had lower fees than the lowest category. In the current study this has occurred only once — for the minimum charge for a 1040 itemized. As was the case in the previous study, the fees charged by firms with $200,000 or more gross income charge significantly higher fees than those with gross incomes of $100,000 to $199,999.

Tax service firms have the lowest minimum and average fees of the three types of firms listed, with one exception (average fee for Form 1065). Firms in the "other (incl. auditing)" category charge the highest fees for all types of tax forms.

Generally it is correct to say that fees increase as the number of years in practice increase. There are several minor exceptions to this pattern.

Figure 1 shows a percentage distribution of the average charge for Form 1040 itemized. The single largest group, 23%, charge $26 to $35. The two smallest groups, each with 11%, charge the most, $61 to $80, and over $80.

State and Local Income Tax Fees

Tables 3 and 4 show the number of respondents having a policy on combination fees. More than three-fourths of the reporting firms (2,517 of 3,140) indicate that their reported fee includes a charge for filling out any state and/or local tax returns. In the metropolitan areas there is a very high percentage of respondents charging one fee for filling out tax forms at all governmental levels. The percentage ranges from 97% charging one fee in both New York and San Francisco to 80% charging one fee in Cleveland and Minneapolis-St. Paul.

The percentage charging one fee in all the areas with populations under one million ranges from 77% to 79%. In areas with populations over one million, the percentage increases to 90%. This difference is even more pronounced than in the last survey.

The primary source of income does not appear to have any influence on whether a firm charges one fee or a separate fee for the various tax forms. In contrast to the last study, the number of years in practice does not show a constantly increasing percentage charging one fee as the number of years increases. Those in the 30-or-more-years category have the highest percentage charging one fee — 84%.

About 88% of the 623 firms with a separate fee for state and local tax returns generally charge a specified set fee. Only 56 respondents indicate they base their fee for a state or local return on a percentage of the charge received for completing the federal form. The percentage charging a specified fee was 85% in 1968, 88% in 1972, 86% in 1975 and 88% in the current survey.

IRS Audit Practices and Fees

The survey questionnaire requested data on practices regarding IRS audits (Tables 5 and 6). Seventy-four percent of the reporting firms (2,336) indicate that they would charge a separate fee to represent a client in the event of an IRS audit. Some of the respondents indicate that if the audit was the result of their mistake, there would be no charge to the client.

A large majority (89%) of firms charging for IRS audit representation bill their clients on an hourly basis. The average fee of 2,088 respondents charging by the hour is $30, up 25% from an average fee of $24 in the previous survey. The increase in the hourly fee between 1972 and 1975 was 20%, from $20 to $24.

The fixed fees charged for IRS audit representation (Tables 5 and 6) vary widely. Some of the 248 respondents using a flat fee state that they charge a fixed fee for writing or calling the IRS about a client's audit. If they have to go to the IRS office, they charge an extra fee or by the hour. It is probably incorrect to say that the average fixed fee of $82 is meaningful, since there are so many and varied methods used to set a fixed fee.

The level of gross income of the firm has some influence on whether a firm charges an additional fee for IRS audit. In general, as gross income increases, the percentage of firms charging a separate fee increases. On the other hand, the primary source of income does not appear to have an influence on this practice.

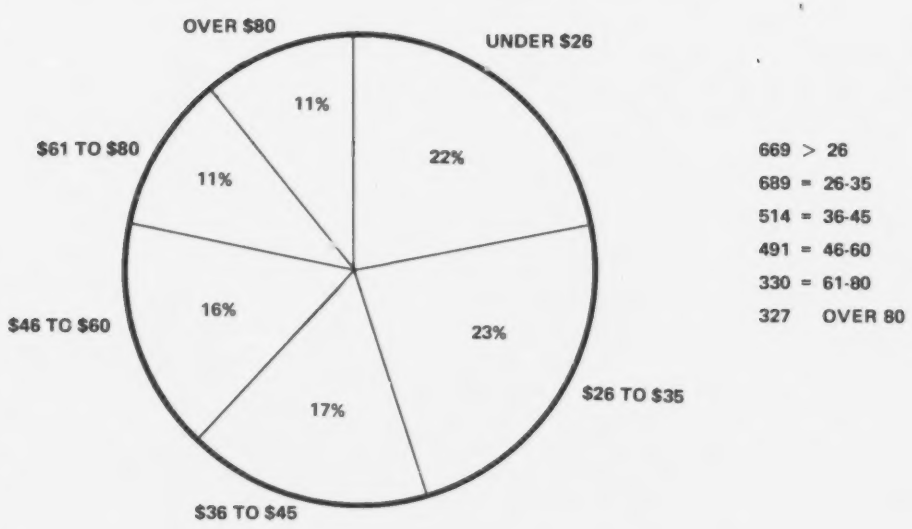

FIGURE 1. PERCENTAGE DISTRIBUTION OF AVERAGE CHARGE FOR FORM 1040 ITEMIZED

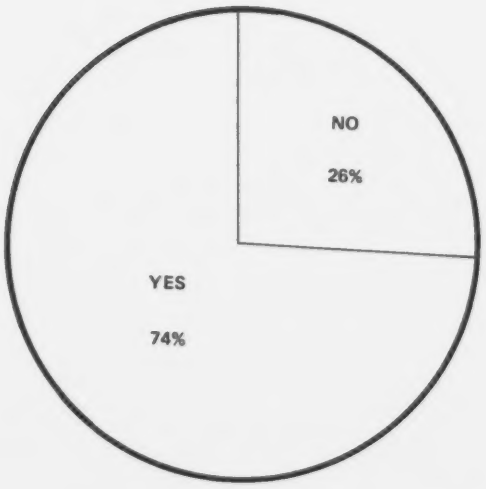

FIGURE 2. ADDITIONAL FEE CHARGED IN EVENT OF IRS AUDIT

TABLE 1: *Average Fees Charged for Federal Income Tax Returns by Region, Area, and Population*

		No. of Returns	Minimum Charge				Average Charge			
			1040 Not Itemized	1040 Itemized	1065 Partnership	1120 Corporation	1040 Not Itemized	1040 Itemized	1065 Partnership	1120 Corporation
			$	$	$	$	$	$	$	$
Survey Totals										
Median	1972	2,385	10	19	41	72	11	24	50	100
	1975	2,708	11	21	49	86	15	30	72	125
	1978	3,175	16	26	71	100	20	38	97	150
Average	1972	2,385	11	20	48	86	14	32	70	137
	1975	2,708	14	25	62	105	17	39	88	165
	1978	3,175	18	32	80	129	22	51	117	203
Geographic & Population Data										
Region		3,175								
New England		241	18	32	92	167	21	43	124	251
Middle Atlantic		634	21	39	100	163	25	60	143	243
Southeast		618	17	30	76	121	21	47	109	190
Central		773	16	27	67	108	20	42	100	173
Northwest		190	16	28	68	103	21	44	107	182
Southwest		250	16	30	67	103	22	50	104	177
Far West		469	22	39	88	134	27	64	131	217
Metropolitan Area		451								
Chicago		60	17	34	80	111	22	50	100	164
Cleveland		20	19	38	78	113	20	69	125	183
Detroit		31	18	35	94	137	23	40	132	192
Los Angeles		71	22	45	93	133	26	83	134	199
Minneapolis-St. Paul		20	16	30	78	127	19	47	122	210
New York		138	24	50	131	182	29	78	169	262
Philadelphia		39	20	36	112	191	29	52	143	238
San Francisco		32	29	44	93	141	36	68	129	197
Washington, D.C.		31	27	59	107	146	33	100	187	242
Population Size		3,175								
Under 25,000		832	15	26	65	110	19	40	96	179
25,000 to 49,999		374	18	31	80	132	22	46	120	211
50,000 to 99,999		396	17	31	78	133	22	47	113	207
100,000 to 499,999		591	19	33	81	130	24	51	118	201
500,000 to 999,999		267	19	33	87	140	23	53	130	223
1,000,000 or more		715	21	41	98	145	26	67	140	221

TABLE 2. *Average Fees Charged for Federal Income Tax Returns by Selected Characteristics of Public Accounting Firms*

	No. of Returns	Minimum Charge				Average Charge			
		1040 Not Itemized	1040 Itemized	1065 Partnership	1120 Corporation	1040 Not Itemized	1040 Itemized	1065 Partnership	1120 Corporation
Size of Firm	3,175								
Proprietor with no full-time employees	1,093	17	33	80	125	22	50	111	188
Proprietor with full-time employees	1,615	18	32	81	132	22	50	120	210
Two partners	368	20	34	79	125	25	54	119	204
Three or more partners	99	21	35	83	148	25	62	130	253
Employees of Firm	1,969								
One full-time employee	812	17	30	79	127	21	47	116	194
Two full-time employees	509	17	32	78	129	22	49	118	209
Three full-time employees	270	20	34	83	136	23	54	126	226
Four or more full-time employees	378	22	36	87	145	27	61	135	246
Gross Income	3,175								
Under $15,000	29	14	27	60	83	19	39	87	123
$15,000 to $19,999	158	15	26	67	107	19	41	87	152
$20,000 to $29,999	411	15	28	67	108	19	42	96	162
$30,000 to $39,999	514	16	30	75	119	21	46	104	175
$40,000 to $49,999	415	17	31	77	126	22	47	115	194
$50,000 to $74,999	698	18	33	82	135	22	51	119	214
$75,000 to $99,999	378	19	34	89	139	23	53	129	225
$100,000 to $199,999	424	21	37	91	151	25	59	138	245
$200,000 or more	148	29	47	100	156	34	83	165	275
Primary Source of Income	3,175								
Tax services	749	17	31	75	127	22	50	118	212
Accounting and write-up	2,376	18	32	82	129	22	50	115	198
Other (incl. auditing)	50	28	57	114	172	36	99	209	296
Years in Practice	3,157								
1 to 4 years	307	17	30	80	121	21	45	113	187
5 to 9 years	542	17	32	81	127	21	49	116	188
10 to 14 years	444	17	31	80	126	21	48	117	203
15 to 19 years	467	18	32	79	127	22	52	118	203
20 to 24 years	475	18	33	81	135	23	50	117	212
25 to 29 years	428	18	33	80	134	23	50	117	213
30 or more years	494	21	35	81	134	26	58	122	214

TABLE 3: *State and Local Income Tax Return Fees by Region, Area, and Population*

		Charges for Preparation of Federal, State, and/or Local Income Tax Returns				
					If Separate, Fee is:	
		One Fee	Separate Fee	No Answer	Specified	% of Fed. Return
		No.	No.	No.	No.	No.
Survey Totals	1972	1825	514[1]	46	452	54
No. of Respondents	1975	2,095	569[2]	44	491	56
	1978	2,517	623[3]	35	550	56
Geographic & Population Data						
Region						
New England		182	58	1	53	5
Middle Atlantic		537	93	4	85	7
Southeast		449	162	7	134	22
Central		628	139	6	127	10
Northwest		164	25	1	23	7
Southwest		154	81	15	70	1
Far West		403	65	1	58	4
Metropolitan Area						
Chicago		61	7	0	6	2
Cleveland		16	4	0	3	1
Detroit		25	5	1	5	0
Los Angeles		66	5	0	3	2
Minneapolis-St. Paul		16	4	0	3	1
New York		134	4	0	3	1
Philadelphia		32	6	1	5	1
San Francisco		31	1	0	1	0
Washington, D.C.		28	2	1	2	0
Population Size						
Under 25,000		640	183	9	164	13
25,000 to 49,999		287	85	2	78	4
50,000 to 99,999		300	92	4	82	9
100,000 to 499,999		449	134	8	115	15
500,000 to 999,999		210	56	1	48	6
1,000,000 or more		631	73	11	63	9

[1]The separate fee data do not add to this total because of eight who did not answer.

[2]The separate fee data do not add to this total because of twenty-two who did not answer.

[3]The separate fee data do not add to this total because of seventeen who did not answer.

TABLE 4: *State and Local Income Tax Return Fees by Selected Characteristics of Public Accounting Firms*

	Charges for Preparation of Federal, State, and/or Local Income Tax Returns				
				If Separate, Fee is:	
	One Fee	Separate Fee	No Answer	Specified	% of Fed. Return
	No.	No.	No.	No.	No.
Size of Firm					
Proprietor with no full-time employees	894	181	18	157	19
Proprietor with full-time employees	1,253	347	15	310	30
Two partners	294	73	1	64	4
Three or more partners	76	22	1	19	3
Employees of Firm					
One full-time employee	638	170	4	149	17
Two full-time employees	386	170	4	149	17
Three full-time employees	207	59	4	50	7
Four or more full-time employees	301	75	2	69	4
Gross Income					
Under $15,000	19	8	2	7	1
$15,000 to $19,999	135	22	1	21	1
$20,000 to $29,999	315	90	6	74	13
$30,000 to $39,999	406	104	4	86	14
$40,000 to $49,999	341	69	5	65	4
$50,000 to $74,999	553	137	8	121	11
$75,000 to $99,999	291	84	3	73	8
$100,000 to $199,999	344	76	4	72	3
$200,000 or more	113	33	2	31	1
Primary Source of Income					
Tax services	576	167	6	152	12
Accounting and write-up	1,904	445	27	391	40
Other (incl. auditing)	37	11	2	7	4
Years in Practice					
1 to 4 years	238	67	2	58	5
5 to 9 years	413	123	6	106	13
10 to 14 years	339	101	4	89	10
15 to 19 years	378	81	8	77	3
20 to 24 years	384	86	5	78	6
25 to 29 years	343	83	2	74	7
30 or more years	408	78	8	63	12

TABLE 5: *Charges for Representation at IRS Audit by Region, Area and Population*

		Representation of Clients if IRS Audit			Basis for Fee		Rates Charged	
		Add. Fee Charged	Not Charged	No Answer	Hourly Rate	Fixed Fee	Average Hourly Rate	Average Fixed Fee
		No.	No.	No.	No.	No.	$	$
Survey Totals	1972	1,673	682	30	1,423[1]	249	20	53
	1975	1,879	805	24	1,658	221	24	59
No. of respondents	1978	2,336	819	20	2,088	248	30	82
Geographic & Population Data								
Region								
New England		184	56	1	159	25	30	78
Middle Atlantic		504	130	0	410	94	31	109
Southeast		416	196	6	378	38	29	55
Central		556	212	5	516	40	28	72
Northwest		127	63	0	122	5	25	95
Southwest		185	63	2	171	14	29	73
Far West		364	99	6	332	32	34	47
Metropolitan Area								
Chicago		50	19	0	39	11	35	92
Cleveland		16	4	0	16	0	30	*
Detroit		25	5	1	22	3	32	*
Los Angeles		58	13	0	49	9	39	47
Minneapolis-St. Paul		14	6	0	14	0	24	*
New York		120	18	0	78	42	35	107
Philadelphia		32	7	0	25	7	31	156
San Francisco		28	3	1	26	2	37	*
Washington, D.C.		22	9	0	20	2	37	*
Population Size								
Under 25,000		567	262	3	523	44	25	61
25,000 to 49,999		272	100	2	248	24	29	73
50,000 to 99,999		290	102	4	268	22	30	91
100,000 to 499,999		442	143	6	404	38	30	64
500,000 to 999,999		200	65	2	183	17	31	59
1,000,000 or more		565	147	3	463	102	34	100

*Data insufficient to report separately.

[1]Does not add to 1,673 because of one who did not answer.

TABLE 6. *Charges for Representation at IRS Audit by Selected Characteristics of Public Accounting Firms*

	Representation of Clients if IRS Audit			Basis for Fee		Rates Charged	
	Add. Fee Charged	Not Charged	No Answer	Hourly Rate	Fixed Fee	Average Hourly Rate	Average Fixed Fee
	No.	No.	No.	No.	No.	$	$
Size of Firm							
Proprietor with no full-time employees	776	309	8	664	112	27	89
Proprietor with full-time employees	1,194	411	10	1,091	103	30	69
Two partners	280	86	2	251	29	33	91
Three or more partners	86	13	0	82	4	33	152
Employees of Firm							
One full-time employee	582	226	4	530	52	29	75
Two full-time employees	376	128	5	348	28	31	79
Three full-time employees	217	51	2	198	19	31	56
Four or more full-time employees	306	71	1	284	22	35	72
Gross Income							
Under $15,000	12	15	2	11	1	22	*
$15,000 to $19,999	93	63	2	82	11	21	46
$20,000 to $29,999	256	152	3	227	29	24	60
$30,000 to $39,999	376	137	1	325	51	26	70
$40,000 to $49,999	305	109	1	261	44	29	109
$50,000 to $74,999	516	174	8	461	55	30	83
$75,000 to $99,999	291	86	1	266	25	31	100
$100,000 to $199,999	353	69	2	330	23	35	70
$200,000 or more	134	14	0	124	10	40	111
Primary Source of Income							
Tax services	555	193	1	480	75	29	64
Accounting and write-up	1,743	614	19	1,571	172	30	89
Other (incl. auditing)	38	12	0	37	1	37	*
Years in Practice							
1 to 4 years	217	87	3	205	12	26	115
5 to 9 years	406	133	3	372	34	27	68
10 to 14 years	320	121	3	285	35	30	58
15 to 19 years	352	112	3	304	48	30	84
20 to 24 years	347	124	4	309	38	30	70
25 to 29 years	315	111	2	276	39	31	84
30 or more years	369	123	2	327	42	32	108

*Data insufficient to report separately.

CHAPTER II

Number of Clients Per Firm

The number of a firm's clients is reported in two ways in this study. First, all respondents were asked how many monthly, quarterly and annual clients they serve, excluding those for whom only income tax returns are completed. Second, they were asked how many of these clients are primarily write-up accounts, accounting clients, or auidit accounts. Because of the extremely wide variation in the number of clients reported in each group, the median number rather than the average is reported for the seven characteristics.

Median Number of Clients by Period Served and Type

It is clear from the data at the top of Table 7 that there is a substantial difference between the median and average number of clients. In one case, annual clients, the average is equal to more than twice as much as the median. The median number of monthly clients is 26. Fifty percent of the firms have 26 or fewer monthly clients, and the other 50% have 26 or more monthly clients. The median firm also has 13 quarterly and 11 annual clients.

The number of monthly, quarterly and annual clients has remained almost the same for the last three surveys. The medians and averages declined slightly in 1975 but have regained the 1972 level or more for monthly and quarterly clients. The average number of annual clients was 25 in 1972, then dropped to 22 in 1975. The current survey shows this average rising to 23. The median number of clients has a similar pattern. The median number of both monthly and quarterly clients dropped from 1972 to 1975, and both have increased in 1978. The median number of annual clients has remained at 11 for all of the last three surveys.

An almost identical distribution among the four survey results is found in the median and average numbers of clients by type. For 1978 the median number of write-up accounts* is 31, of accounting clients** is 10 and of auditing clients*** is six.

Some of the reported characteristics have a decided influence on the number of clients the firm has; others appear to have very little relationship. Firms in the New England region have more quarterly and annual clients than firms in other regions. The Central and Southeast regions have the greatest number of monthly clients, while New England has the lowest number. The New England region continues to have the greatest number of accounting clients. The Central region again reported the highest median number of write-up accounts. All of the regions except the Far West reported a median of six auditing clients. The Far West region has a median of five auditing clients.

Chicago has the highest median number of monthly clients and Philadelphia firms report the greatest number of both quarterly and accounting clients. Firms in Minneapolis - St. Paul had by far the largest number of write-up accounts. The most auditing clients were reported by firms from Detroit.

Population size appears to have only a slight influence on the number of clients a firm has. As the population goes up, the number of clients declines slightly, a pattern similar to that in both the 1972 and 1975 surveys.

As can be expected, the number of clients in all categories increases with the size of the firm, for both proprietorships and partnerships; with the number of employees in the firm; and with the gross income of the firm. There is a slight increase in the number of clients as the number of years in practice increases, but this trend is not without exceptions.

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* *For these clients the accountant provides a bookkeeping service, i.e., journals, ledgers, payrolls, etc., and prepares periodic financial statements.*

** *These clients have a bookkeeper on the premises, and the accountant begins his service by working from a preadjusted trial balance.*

*** *The accountant inspects the clients' records, which involve analyses, test reports, confirmation, proofs, opinions, or disclaimers.*

TABLE 7: *Median Number of Clients Served — Period and Type by Region, Area and Population*

		Clients the Firm Serves Regularly (excluding Annual Income Tax Returns)					
		Monthly	Quarterly	Annually	Write-Up Accounts	Accounting Clients	Auditing Clients
Survey Totals							
Median	1972	27	12	11	31	10	6
	1975	25	11	11	30	10	6
	1978	26	13	11	31	10	6
Average	1972	35	19	25	40	17	11
	1975	33	18	22	39	16	9
	1978	35	20	23	42	17	10
Geographic & Population Data							
Region							
New England		18	20	21	26	12	6
Middle Atlantic		20	17	13	30	10	6
Southeast		31	10	15	36	9	6
Central		31	12	11	38	10	6
Northwest		21	11	13	30	9	6
Southwest		27	10	10	31	8	6
Far West		24	11	9	30	9	5
Metropolitan Area							
Chicago		31	10	10	30	10	5
Cleveland		19	16	11	31	10	7
Detroit		30	7	10	34	11	9
Los Angeles		20	9	6	25	8	4
Minneapolis-St. Paul		30	10	11	40	8	6
New York		19	11	10	29	8	5
Philadelphia		16	20	11	25	16	6
San Francisco		18	6	5	20	10	3
Washington, D.C.		21	18	11	24	10	6
Population Size							
Under 25,000		27	16	14	31	10	6
25,000 to 49,999		28	15	16	36	11	6
50,000 to 99,999		29	14	13	36	10	6
100,000 to 499,999		29	12	11	31	10	6
500,000 to 999,999		26	10	10	31	9	6
1,000,000 or more		21	11	10	30	9	5

TABLE 8: *Median Number of Clients Served — Period and Type by Selected Characteristics of Public Accounting Firms*

	Clients the Firm Serves Regularly (excluding Annual Income Tax Returns)					
	Monthly	Quarterly	Annually	Write-Up Accounts	Accounting Clients	Auditing Clients
	No.	No.	No.	No.	No.	No.
Size of Firm						
Proprietor with no full-time employees	15	10	9	20	7	5
Proprietor with full-time employees	31	15	13	40	10	6
Two partners	42	20	20	53	14	6
Three or more partners	51	26	19	65	19	10
Employees of Firm						
One full-time employee	26	11	11	31	9	6
Two full-time employees	36	15	15	43	11	6
Three full-time employees	42	20	19	53	11	6
Four or more full-time employees	67	26	22	79	20	7
Gross Income						
Under $15,000	9	8	11	10	6	5
$15,000 to $19,999	11	6	7	14	5	5
$20,000 to $29,999	15	9	9	19	6	4
$30,000 to $39,999	20	10	10	25	7	5
$40,000 to $49,999	25	11	11	28	9	6
$50,000 to $74,999	30	15	11	38	10	6
$75,000 to $99,999	40	16	19	49	11	6
$100,000 to $199,999	51	21	20	71	17	6
$200,000 or more	76	30	27	100	26	10
Years in Practice						
1 to 4 years	20	9	10	27	6	4
5 to 9 years	25	12	10	30	9	5
10 to 14 years	28	13	11	37	10	6
15 to 19 years	30	15	12	37	10	6
20 to 24 years	27	16	12	33	11	6
25 to 29 years	29	16	13	31	10	6
30 or more years	26	11	16	30	10	7

CHAPTER III

Income by Type of Service and Type of Fee

Respondents were asked to estimate the proportion of their gross income derived from the following: tax service, write-up work, accounting, auditing, management advisory services and all other services. They were also asked what proportion of their billing for these services is based on fixed fees, hourly rates, or other.

The data reported in Tables 9 and 10 are weighted average percentages. The percentage distribution reported for each type of service performed by a firm is weighted by that firm's 1978 gross income. For example, if a firm with a gross income of $20,000 indicates that it derives 90% of its income from fixed fees and 10% from hourly rates, $18,000 would be put into the fixed fee area and added to all other respondents who derive income from fixed fees. The balance of $2,000 (10% of $20,000) would be added to the income from hourly rates for all respondents.

Because the data are weighted by income, the distribution of income derived from each service or type of billing is representative of the average firm reporting in each category. The data show that the average firm derives 31% of its income from tax services, 44% from write-up work, 16% from accounting, 5% from auditing, 3% from management advisory services, and 1% from other services (see Table 9). Two of the major other income sources are renting computer time and estate planning. These percentages are almost unchanged from those found in the three previous surveys. Over the four surveys there has been a slight increase in the percentage going to tax services — 26% in 1968, 28% in 1972, 30% in 1975 and 31% in 1978.

A decreasing percentage of all income of typical accounting firms is based on fixed fees, going down from 66% in 1968, 61% in 1972, 58% in 1975 to 57% in the current survey. Most of the other income results from hourly rates which are increasing as a percentage of gross income, 31% in 1968, 36% in 1972, 40% in 1975 and 41% in 1978. Some of the respondents add to their regular fees a factor which they call "over-all worth of the total service being provided to a client." They report this as other income, since it is based on value judgment of the quality of the service being provided.

Income derived from both the type of service and the billing base varied by region, area and population. In New England, for example, there is more income derived from accounting and auditing than in any of the other six regions. The Southeast region leads all others in income based on fixed fees. Almost two-thirds of the Northwest firms' income is from hourly rates and only 33% from fixed fees. In the Southeast the opposite is true. There, 63% of the accounting firms' income is derived from fixed fees and 35% from hourly rates. These same relationships have held true in all four studies, although the percentages have been somewhat different.

In the metropolitan area data, the percentages of income derived from the six services vary fairly widely. However, these variations should be weighed against the number of returns in each area. For example, firms reporting from the Philadelphia area derive 25% of their income from tax services, 44% from write-up work, and 21% from accounting work. The number of firms reporting is only 39, and, therefore, any one large firm could bias the income distribution for the sample. The evaluation of data from a small number of returns obviously is not as representative as data from larger samples.

Income from tax services tends to decline as urban population increases. While firms maintain a fairly constant rate of income from write-up work, the amount coming from accounting increases as city population increases. Firms in the largest population area use a fixed fee basis for billing significantly more than firms in any of the other population classifications.

The size of the firm has some effect on the type of work done. Small firms, i.e., proprietors with no

full-time employees, do more tax services and write-up work than the larger firms, particularly partnerships. The larger firms tend to do more costly services, mainly accounting and auditing. Hourly fees are far more popular with larger firms than with smaller ones. A somewhat similar pattern exists in the data as classified by the number of employees in the firm. The higher the number of full-time employees, the greater the percentage of income derived from accounting and auditing. The hourly rate is more commonly used by firms with four or more employees than with smaller firms.

Firms in the largest income category show a higher percentage of income from auditing and management advisory services. For firms in the $200,000 or more category auditing provides 9% and management advisory services provide 7% of gross income. The three-or-more-partner firms show the same percentages for these services.

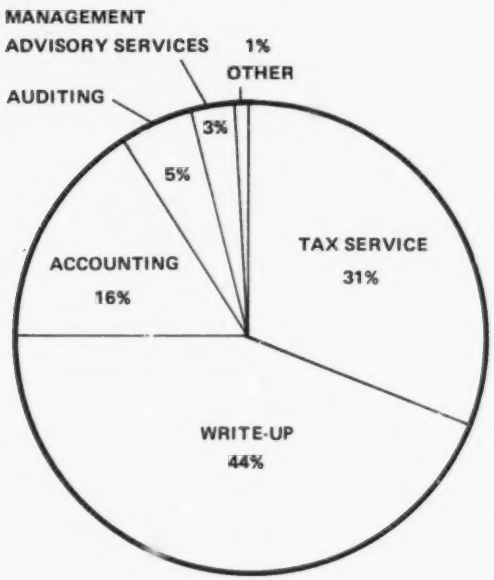


FIGURE 3. DISTRIBUTION OF GROSS INCOME BY TYPE OF SERVICE

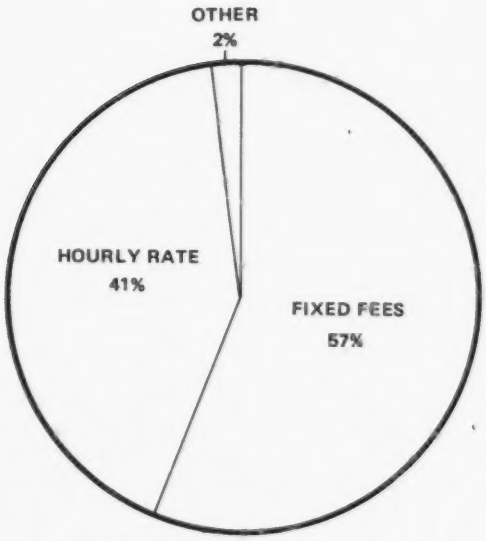


FIGURE 4. DISTRIBUTION OF GROSS INCOME BY BILLING BASE

TABLE 9: *1978 Income Derived from Type of Service and Fees Charged by Region, Area, and Population*

		Percentage Distribution of 1978 Annual Gross Income by Type of Service							Percentage Distribution of 1978 Annual Gross Income by Billing Base		
		Tax Services	Write-up Work	Accounting Work	Auditing	Management Advisory Services	Other	Totals	Fixed Fee	Hourly Rate	Other
Survey Totals	1972	28	43	17	7	3	2	100	61	36	3
	1975	30	43	17	6	3	1	100	58	40	2
	1978	31	44	16	5	3	1	100	57	41	2
Geographic & Population Data											
Region											
New England		29	35	23	8	4	1	100	54	45	1
Middle Atlantic		27	42	19	7	4	1	100	62	37	1
Southeast		33	46	13	4	3	1	100	63	35	2
Central		29	46	17	4	3	1	100	57	41	2
Northwest		36	43	13	5	3	*	100	33	66	1
Southwest		34	45	11	5	4	1	100	53	43	4
Far West		37	42	14	3	3	1	100	54	44	2
Metropolitan Area											
Chicago		25	49	18	4	3	1	100	71	27	2
Cleveland		30	37	24	5	2	2	100	54	45	1
Detroit		29	47	19	2	3	0	100	66	34	*
Los Angeles		38	42	15	1	3	1	100	66	32	2
Minneapolis-St. Paul		28	51	15	3	3	*	100	39	59	2
New York		25	41	22	9	2	1	100	81	17	2
Philadelphia		25	44	21	6	4	0	100	75	24	1
San Francisco		31	50	12	3	3	1	100	63	37	*
Washington, D.C.		26	47	14	6	7	*	100	49	46	5
Population Size											
Under 25,000		36	41	14	5	3	1	100	50	48	2
25,000 to 49,999		33	43	17	4	3	*	100	55	43	2
50,000 to 99,999		30	46	15	5	3	1	100	54	44	2
100,000 to 499,999		29	44	16	5	5	1	100	57	41	2
500,000 to 999,999		29	47	14	5	4	1	100	58	40	2
1,000,000 or more		28	45	18	5	3	1	100	65	33	2

*Less than ½ of 1%.

TABLE 10: *1978 Income Derived from Type of Service and Fees Charged by Selected Characteristics of Public Accounting Firms*

	Percentage Distribution of 1978 Annual Gross Income by Type of Service							Percentage Distribution of 1978 Annual Gross Income by Billing Base		
	Tax Services	Write-up Work	Accounting Work	Auditing	Management Advisory Services	Other	Totals	Fixed Fee	Hourly Rate	Other
Size of Firm										
Proprietor with no full-time employees	34	42	17	4	2	1	100	66	33	1
Proprietor with full-time employees	32	45	15	4	3	1	100	58	40	2
Two partners	29	43	17	6	4	1	100	52	46	2
Three or more partners	29	37	17	9	7	1	100	40	59	1
Employees of Firm										
One full-time employee	34	44	14	4	3	1	100	60	38	2
Two full-time employees	31	45	17	4	3	*	100	59	39	2
Three full-time employees	31	47	14	4	3	1	100	56	41	3
Four or more full-time employees	29	42	16	7	5	1	100	48	51	1
Gross Income										
Under $15,000	37	37	19	4	3	0	100	52	44	4
$15,000 to $19,999	38	48	10	2	1	1	100	66	32	2
$20,000 to $29,999	36	43	15	3	2	1	100	63	35	2
$30,000 to $39,999	33	45	15	4	2	*	100	64	34	2
$40,000 to $49,999	34	43	16	4	2	1	100	60	37	3
$50,000 to $74,999	33	44	16	3	3	1	100	62	36	2
$75,000 to $99,999	30	45	16	5	3	1	100	59	38	3
$100,000 to $199,999	30	46	16	4	3	1	100	54	44	2
$200,000 or more	28	38	17	9	7	1	100	45	54	1
Years in Practice										
1 to 4 years	32	46	14	4	4	*	100	51	47	2
5 to 9 years	31	45	16	3	4	1	100	57	42	1
10 to 14 years	32	45	14	4	4	1	100	54	44	2
15 to 19 years	31	46	15	4	3	1	100	56	41	3
20 to 24 years	31	44	17	4	3	1	100	60	38	2
25 to 29 years	31	42	17	6	3	1	100	58	41	1
30 or more years	32	41	16	7	3	1	100	58	40	2

*Less than ½ of 1%.

CHAPTER IV

Hourly Fees and Fixed Monthly Fees

This chapter covers average hourly fees charged by firms for selected services and the billing rates per hour for five levels of personnel. It also covers the fixed rates charged monthly clients, and the number of firms offering management advisory services and their hourly rates for these services.

In reporting hourly fees charged for write-up, accounting and auditing, each type of service is reported separately if rates are different. However, if only one fee is applicable for all services, the firm was asked to report this rate separately. Therefore, there are two sets of fees: individual fees for each type of service, and a separate fee for those firms charging a single fee for all services. The average fee is reported for all eight characteristic groups. In almost all cases the median and the average hourly fees are within one dollar of each other; often they are the same.

Respondents were requested to report their highest, lowest and average fixed monthly fees. All three of these fixed monthly fees are reported as averages, not as medians. Data were also requested on whether or not the firm provides management advisory services, and, if so, what hourly fee is charged for these services.

Hourly Fees and Billing Rates

Tables 11 and 12 show the firm's average fees by type of service and the average hourly billing rates for five levels of personnel. Both average and median fees are shown for total respondents reporting each of the fees or billing rates (Tables 11). For the over-all rates there is little that is unexpected. The relationships of hourly fees by type of service and type of personnel have remained the same throughout the four surveys. The average hourly rate for write-up work is $21, while for accounting it is $27, and for auditing $32. As the service becomes more complex, and more knowledge and experience are required, the hourly fee increases. The average rate charged by firms using a single rate is $26.

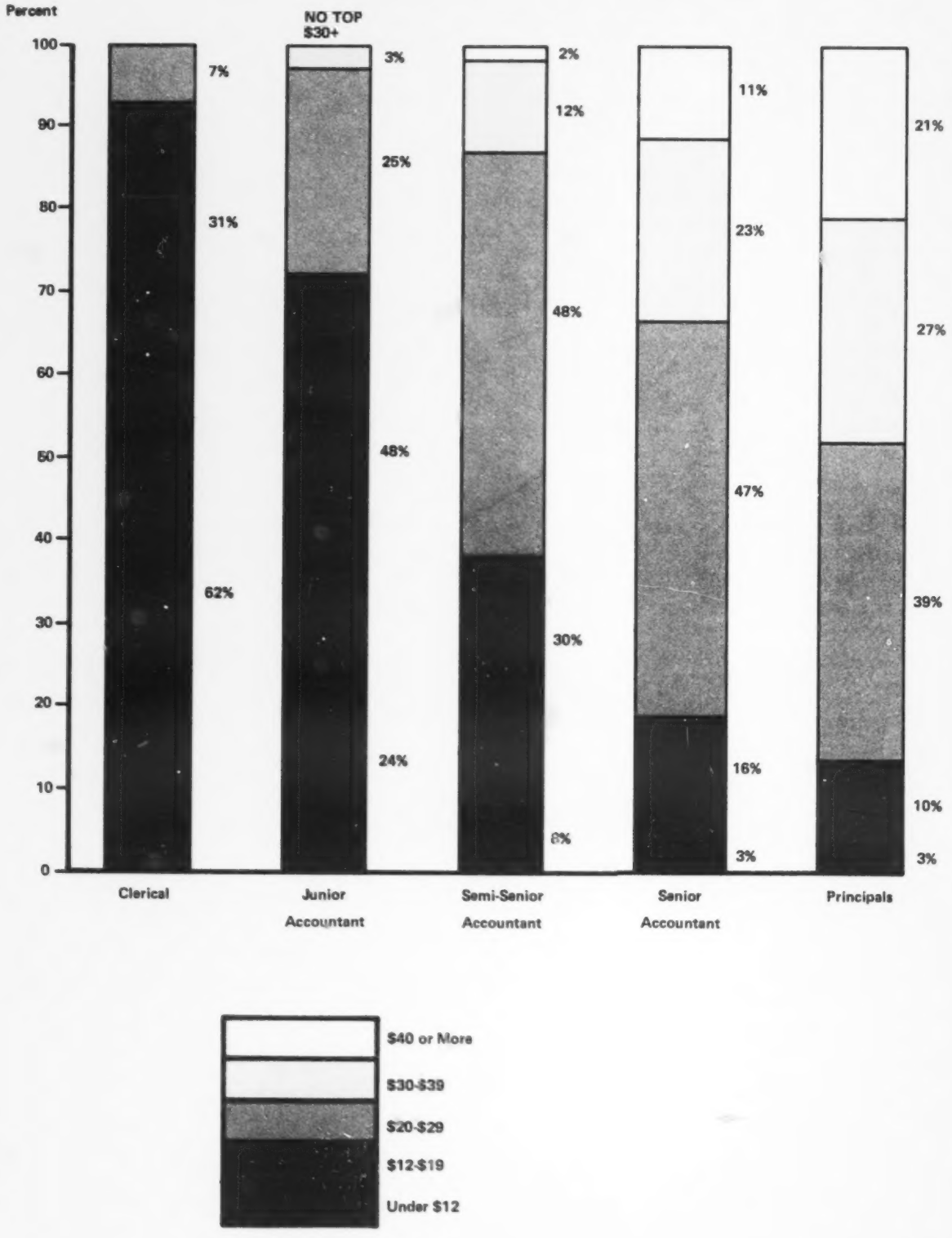
Average hourly fees have continued to increase between survey years, some at higher and some at lower percentage rates than between 1972 and 1975. Over the 1972-1978 period, public accountants have increased their fees at a rate of approximately equal to that for the Consumer Price Index (CPI). The increase in the CPI from August 1972 to August 1978 was 56%. Three of the four average hourly fees recorded in Table 11 went up slightly less than this percentage increase, while write-up accounts have increased 62%. Average billing rates from 1972 to 1978 increased by percentages very close to the 56% increase of the CPI.

During the three-year period, August 1975 to August 1978 (approximately the time the questionnaires were filled out), accountants' fees and billing rates rose slightly faster than the CPI. During this period the Consumer Price Index rose 21%, while average hourly fees all rose at a greater rate — from 31% on write-up accounts to 23% on audit accounts. Billing rates also rose at more than 21%, except for principals whose rates went up by 20%.

Over the period 1968-1978 public accountants have kept up with price increases in the economy as a whole. This is true for the total period and for each three-year period between surveys.

The per-hour billing rates for personnel vary directly with experience and responsibility. The average secretarial billing rate is $11. Junior accountants' (zero-two years' experience) billing rate is $16. With a little more experience (semi-senior accountants with three-four years' experience) the rate is increased to $20. Five or more years' experience (senior accountants) increases the fee to $26 per hour. The largest percentage increase

FIGURE 5. DISTRIBUTION OF BILLING RATES PER HOUR



between 1975 and 1978 went to junior accountants. The highest billing rates are those of principals, which have increased $5 (20%) from the 1975 survey and $10 (50%) from the 1972 survey.

In contrast to the previous survey, the current study shows a clear regional pattern for fees. The Northwest region has the lowest average fees in every category, both by type of work and by type of personnel. The Far West has the highest fees in all categories except write-up accounts. Metropolitan data do not show such a clear pattern as regional data. Population classification data continue to show fees and billing rates rising as population increases (see Table 11).

Size of firm and number of employees do not appear to have a significant influence on hourly fees or billing rates. Generally the fees and billing rates increase with the number of employees in the firm, but the range for the various services and personnel classifications is quite narrow (see Table 12).

There is a positive correlation between gross income and fees charged. As income increases, so do the hourly fees. There are a few exceptions, but these are unimportant to the over-all pattern. Hourly fees and billing rates make substantial jumps between the averages reported for $100,000 to $199,999 firms and those with gross incomes of $200,000 or more in some areas. These largest firms bill much higher than average rates particularly for their principals.

With only one exception the houriy fees for billing rates increase with the number of years of experience of respondents.

Distribution of Hourly Billing Rates

Table 13 is a special table showing the billing rates and number of firms that report billing rates for each level of personnel. The number of personnel is reported by $2 intervals up to $30 per hour, $5 intervals from $30 to $40, and $10 intervals thereafter. The principals' billing rates are reported in total and by size of firm. The Table is also the basis for Figure 5, which shows the percentage distribution of the hourly fees paid to each type of personnel.

Average Fixed Monthly Fees

The average fixed monthly fee received by the respondents reporting such fees is $105, or $1,260 per year, an increase of 48% since 1972 and 22% since 1975 (see Table 14). The median fixed monthly fee is $20 lower at $85, or $1,020 per year. The highest average monthly fixed fee for the total survey is $277, and the lowest is $47. The highest average fee increased 8% since 1975, while the lowest average fee went up 21%. Although the average fee is $105, the range between the high and low is very wide.

The average fixed fees by the eight characteristics do not show significant differences. By region and area variations in the high, low and average fees show no definite pattern. The fees generally increase as population increases. The fees also increase as the number of employees increases.

Management Advisory Services and Fees

Management advisory services are performed by 1,512 of the respondents, 48% of the 3,131 answering this question (see Table 15). This is an increase of two percentage points since the last survey where 46% reported performing these services. The average hourly fee is $32, which is $5 greater than the average reported in 1975. This average fee is higher also than the average fee of $30 for all principals reported in Table 11. The rate per hour charged for management advisory services increased 17% between 1972 and 1975, and 19% between 1975 and 1978.

The proportion of firms providing management advisory services does not vary much by region or population. In four metropolitan areas the percentage of firms offering management advisory services is 50% or more — Cleveland, Detroit, Minneapolis-St. Paul and Washington, D.C.

By size of firm, number of employees and gross income, the proportion of firms providing management advisory services increases as the magnitudes of these characteristics increase (see Table 16). For example, only 47% of the firms having one full-time employee provide management advisory services, while 62% of the firms with four or more full-time employees offer these services. More than half of the firms with gross income of $75,000 or more offer management advisory services.

There is an inverse relationship between the percentage of firms offering management advisory services and the number of years in practice. Sixty percent of the accountants in practice one to four years offer these services. The percentage of participation declines steadily to 40% of those in practice 25-29 years and 41% of those in practice 30 or more years. This pattern also showed up in previous surveys.

TABLE 11. *Average Hourly Fees for Type of Service and Employees by Region, Area, and Population*

		Firm's Hourly Fees				Billing Rates Per Hour for Staff & Principals				
		Write-Up Accounts	Accounting Clients	Audit Clients	Same Fee for All Services	Secretarial, Steno, Clerical	Junior Accountant	Semi-Senior Accountant	Senior Accountant	Principal-Partners
		$	$	$	$	$	$	$	$	$
Survey Totals	1972	12	15	20	15	7	10	12	15	20
Median	1975	16	21	26	21	9	12	16	21	25
	1978	20	26	30	25	11	16	21	25	30
	1972	13	18	21	17	7	10	13	16	20
Average	1975	16	21	26	21	9	12	16	21	25
	1978	21	27	32	26	11	16	20	26	30
Geographic & Population Data										
Region										
New England		20	27	33	27	11	16	22	26	30
Middle Atlantic		23	29	34	27	11	17	22	28	33
Southeast		19	25	29	25	11	15	20	24	28
Central		20	25	30	25	11	15	19	25	28
Northwest		16	22	26	23	10	13	17	22	25
Southwest		19	26	30	26	11	15	19	27	28
Far West		22	29	36	29	13	17	22	30	34
Metropolitan Area										
Chicago		23	29	34	33	12	16	20	27	34
Cleveland		19	25	39	*	12	17	*	27	33
Detroit		24	36	33	24	14	18	25	29	33
Los Angeles		25	32	41	*	15	19	20	33	38
Minneapolis-St. Paul		20	27	33	*	13	21	21	28	29
New York		27	33	40	32	11	17	24	31	38
Philadelphia		22	29	35	30	11	18	23	30	32
San Francisco		23	32	38	*	11	16	18	24	33
Washington, D.C.		26	33	38	33	12	17	26	32	39
Population Size										
Under 25,000		18	23	27	21	10	15	19	23	26
25,000 to 49,999		20	26	31	24	11	15	20	26	29
50,000 to 99,999		21	27	34	27	12	16	21	26	30
100,000 to 499,999		20	26	31	28	11	16	21	26	30
500,000 to 999,999		21	28	33	23	12	15	21	28	32
1,000,000 or more		24	30	36	31	13	17	22	29	34

*Data insufficient to report separately.

TABLE 12. *Average Hourly Fees for Type of Service and Employees by Selected Characteristics of Public Accounting Firms*

	Firm's Hourly Fees				Billing Rates Per Hour for Staff & Principals				
	Write-Up Accounts	Accounting Clients	Audit Clients	Same Fee for All Services	Secretarial, Steno, Clerical	Junior Accountant	Semi-Senior Accountant	Senior Accountant	Principal-Partners
	$	$	$	$	$	$	$	$	$
Size of Firm									
Proprietor with no full-time employees	20	25	30	25	10	14	19	24	27
Proprietor with full-time employees	20	27	32	26	11	16	20	26	31
Two partners	21	28	33	25	12	17	22	28	32
Three or more partners	23	28	34	29	12	17	22	29	35
Employees of Firm									
One full-time employee	21	26	31	25	11	15	19	24	29
Two full-time employees	20	27	31	26	11	16	20	25	31
Three full-time employees	20	27	33	32	12	16	21	27	33
Four or more full-time employees	21	28	33	27	12	17	22	28	36
Gross Income									
Under $15,000	17	21	22	21	9	*	*	*	20
$15,000 to $19,999	17	21	25	20	8	11	16	18	20
$20,000 to $29,999	18	22	27	22	9	12	14	22	24
$30,000 to $39,999	20	25	29	24	10	12	17	20	26
$40,000 to $49,999	21	26	31	25	11	15	20	23	28
$50,000 to $74,999	21	28	31	28	11	15	19	25	31
$75,000 to $99,999	21	28	34	30	11	16	20	26	33
$100,000 to $199,999	22	29	35	31	13	17	22	28	36
$200,000 or more	24	31	36	34	13	18	23	31	42
Years in Practice									
1 to 4 years	19	24	29	24	11	15	20	25	26
5 to 9 years	19	25	29	23	11	15	20	25	28
10 to 14 years	20	25	30	28	11	16	20	26	29
15 to 19 years	21	27	32	25	11	16	20	26	31
20 to 24 years	21	27	33	26	12	16	20	26	31
25 to 29 years	21	28	33	26	11	15	21	26	31
30 or more years	23	29	34	30	12	16	21	28	33

*Data insufficient to report separately.

TABLE 13. *Distribution of Average Hourly Fees by Rate*

		Usual Billing Rates Per Hour				Billing Rate Per Hour for Principals				
							Proprietorships		Partnerships	
		Clerical $	Junior Accountants $	Semi-Senior Accountants $	Senior Accountants $	All Principals $	With No Full-Time Empl. $	With Full-Time Empl. $	Two Partners $	Three or More $
Survey Totals										
Median	1972	7	10	12	15	20	15	20	20	24
	1975	9	12	16	21	25	21	25	26	26
	1978	11	16	21	25	30	25	30	31	31
Average	1972	7	10	13	16	20	17	20	21	24
	1975	9	12	16	21	25	21	25	26	28
	1978	11	16	21	26	30	27	31	32	35
Billing rate per hour Under $4.00		14	1	0	0	0	0	0	0	0
4.00 — 5.99		131	14	4	4	5	2	2	1	0
6.00 — 7.99		135	14	5	1	1	1	0	0	0
8.00 — 9.99		267	66	10	8	9	8	1	0	0
10.00 — 11.99		616	173	53	14	56	34	21	1	0
12.00 — 13.99		201	129	54	20	29	14	11	3	1
14.00 — 15.99		343	316	153	75	172	74	78	19	1
16.00 — 17.99		14	27	16	16	23	9	11	2	1
18.00 — 19.99		29	58	38	37	49	24	17	6	2
20.00 — 21.99		86	200	220	175	341	146	166	24	5
22.00 — 23.99		5	10	21	19	26	12	14	0	0
24.00 — 25.99		47	71	164	240	674	235	344	74	21
26.00 — 27.99		0	1	2	2	7	1	5	1	0
28.00 — 29.99		0	2	2	7	17	3	12	2	0
30.00 — 34.99		0	24	62	126	364	85	205	59	15
35.00 — 39.99		0	10	40	96	370	96	198	59	17
40.00 — 49.99		0	0	14	70	265	54	163	38	10
50.00 — 59.99		0	0	3	35	220	43	133	31	13
60.00 — 69.99		0	0	0	2	40	8	21	9	2
70.00 or more		0	0	0	1	34	6	20	6	2
Total Reporting Rates		1,888	1,116	861	948	2,702	855	1,422	335	90

TABLE 14. *Average Fixed Monthly Fees*

		By Region, Area & Population		
		Fixed Monthly Fee Charges		
		Highest Monthly Fee $	Lowest Monthly Fee $	Average Monthly Fee $
Survey Totals	1972	164	28	63
	1975	177	34	75
Median	1978	220	41	85
	1972	232	31	71
	1975	257	39	86
Average	1978	277	47	105
Geographic & Population Data				
Region				
New England		320	48	103
Middle Atlantic		336	54	120
Southeast		295	39	91
Central		293	41	92
Northwest		343	43	105
Southwest		355	43	105
Far West		350	51	123
Metropolitan Area				
Chicago		369	52	114
Cleveland		252	50	105
Detroit		292	41	108
Los Angeles		377	60	135
Minneapolis-St. Paul		536	63	122
New York		433	72	161
Philadelphia		356	49	100
San Francisco		428	72	178
Washington, D.C.		464	74	134
Population Size				
Under 25,000		268	38	89
25,000 to 49,999		289	41	95
50,000 to 99,999		335	46	103
100,000 to 499,999		313	44	101
500,000 to 999,999		348	46	116
1,000,000 or more		380	56	127

	By Selected Characteristics of Public Accounting Firms		
	Fixed Monthly Fee Charges		
	Highest Monthly Fee $	Lowest Monthly Fee $	Average Monthly Fee $
Size of Firm			
Proprietor with no full-time employees	254	49	104
Proprietor with full-time employees	336	43	102
Two partners	409	46	112
Three or more partners	445	52	122
Employees of Firm			
One full-time employee	295	42	98
Two full-time employees	322	41	98
Three full-time employees	389	46	108
Four or more full-time employees	494	49	122
Gross Income			
Under $15,000	183	35	108
$15,000 to $19,999	185	43	82
$20,000 to $29,999	226	40	90
$30,000 to $39,999	238	44	92
$40,000 to $49,999	284	44	105
$50,000 to $74,999	320	47	104
$75,000 to $99,999	358	46	111
$100,000 to $199,999	441	48	115
$200,000 or more	697	61	160
Primary Source of Income			
Tax services	228	40	90
Accounting and write-up	343	47	107
Other (incl. auditing)	540	72	166
Years in Practice			
1 to 4 years	302	44	101
5 to 9 years	292	45	97
10 to 14 years	298	43	95
15 to 19 years	343	45	104
20 to 24 years	338	45	107
25 to 29 years	324	48	112
30 or more years	332	47	115

TABLE 15. *Performance of Management Advisory Services and Fees by Region, Area, and Population*

		Management Advisory Services			Rate
		Performed	Not Performed	No Answer	Per Hour Average
		No.	No.	No.	$
Survey Totals	1972	971	1,355	59	23
Number	1975	1,220	1,451	37	27
	1978	1,512	1,619	44	32
Geographic & Population Data					
Region					
New England		122	118	1	32
Middle Atlantic		271	352	11	35
Southeast		269	340	9	31
Central		379	384	10	31
Northwest		107	82	1	27
Southwest		140	107	3	31
Far West		224	236	9	37
Metropolitan Area					
Chicago		31	38	0	37
Cleveland		10	9	1	28
Detroit		17	13	1	36
Los Angeles		29	40	2	41
Minneapolis-St. Paul		10	10	0	30
New York		47	87	4	45
Philadelphia		12	26	1	35
San Francisco		14	18	0	41
Washington, D.C.		20	11	0	36
Population Size					
Under 25,000		365	457	10	28
25,000 to 49,999		182	190	2	31
50,000 to 99,999		187	207	2	35
100,000 to 499,999		309	274	6	33
500,000 to 999,999		134	122	11	33
1,000,000 or more		335	369	11	37

TABLE 16. *Performance of Management Advisory Services and Fees by Selected Characteristics of Public Accounting Firms*

	Management Advisory Services			Rate
	Performed	Not Performed	No Answer	Per Hour Average
	No.	No.	No.	$
Size of Firm				
Proprietor with no full-time employees	437	638	18	30
Proprietor with full-time employees	799	793	23	34
Two partners	214	151	3	34
Three or more partners	62	37	0	35
Employees of Firm				
One full-time employee	382	423	7	32
Two full-time employees	252	248	9	33
Three full-time employees	149	119	2	35
Four or more full-time employees	232	140	6	37
Gross Income				
Under $15,000	12	17	0	20
$15,000 to $19,999	58	95	5	24
$20,000 to $29,999	160	245	6	26
$30,000 to $39,999	219	285	10	28
$40,000 to $49,999	188	222	5	31
$50,000 to $74,999	316	376	6	33
$75,000 to $99,999	208	165	5	35
$100,000 to $199,999	244	176	4	37
$200,000 or more	107	38	3	44
Primary Source of Income				
Tax services	350	389	10	34
Accounting and write-up	1,125	1,218	33	32
Other (incl. auditing)	37	12	1	42
Years in Practice				
1 to 4 years	185	121	1	28
5 to 9 years	303	236	3	30
10 to 14 years	232	201	11	32
15 to 19 years	206	257	4	34
20 to 24 years	212	253	10	35
25 to 29 years	171	252	5	35
30 or more years	198	286	10	37

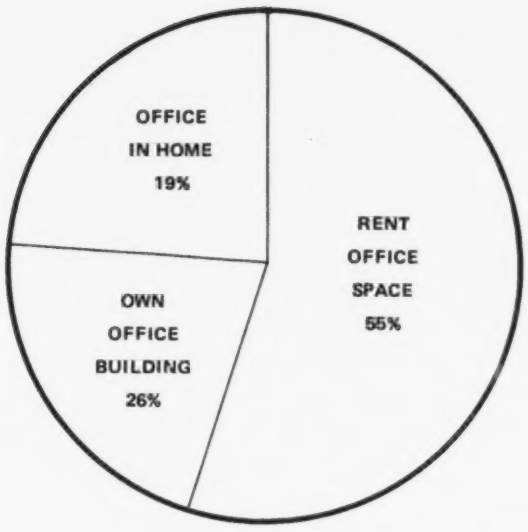


FIGURE 6. TYPES OF OFFICE FACILITIES

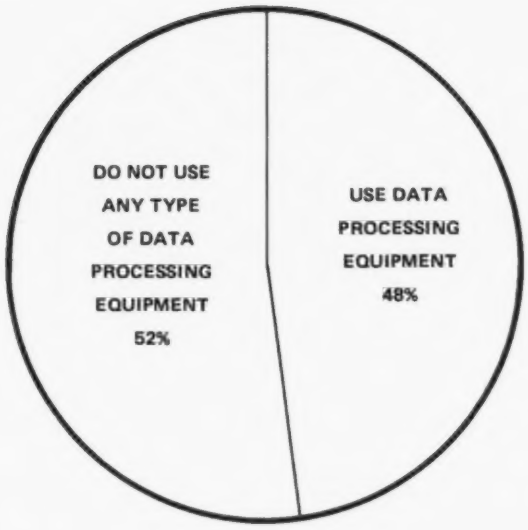


FIGURE 7. USE OF DATA PROCESSING EQUIPMENT
(Other than for income tax returns)

CHAPTER V

Office Facilities and Use of Data Processing Equipment

The information in this chapter is derived from the answers to three questions: What type of office facilities does your firm have? Does your firm use a computer service bureau to complete tax returns? Does your firm own, lease or use a computer service bureau for work other than tax forms?

Office Facilities

Fifty-five percent of the respondents indicated they rent office space, 1,742 or 3,161 reporting on this question (see Table 17). This percentage is almost unchanged from the 56% reported in the last two surveys. The next most important source of office space is ownership of an office building, either individual ownership or with others. Some 26% of the respondents own all or part of the building in which they have their offices. Nineteen percent say they use part of their home for an office, a decline of one percentage point since 1975. For those who rent office space, the average monthly cost is $284, up 32% since 1975, and up 57% since 1972.

Differences in office facilities and rent by region, area and population are noticeable. For example, respondents in the Northwest region pay the lowest monthly rent, $252 per month, while those in the Far West report the highest $330, the only average above $300. In metropolitan areas the highest rent is in Washington, D.C. These relationships have changed from the last survey when the Northwest region reported the highest monthly average.

Office building ownership is inversely related to population size. In small cities (under 25,000), 38% of the respondents say they own wholly or in part their own office facilities. At the other extreme, only 15% of those in cities of one million or more own office facilities. Obviously the lower cost of office buildings in small towns accounts for more ownership in areas of smaller population.

Size, number of employees, and income of the firm influence the rent costs of respondents (see Table 18). Average rent costs increase as these three characteristics increase in magnitude. There is also a relationship between these characteristics and ownership of office facilities or use of part of the principal's home for office space. As the size of the firm, number of employees, and income increase, ownership of office buildings increases and use of home facilities declines.

Ownership of an office building is most common among firms whose primary source of income is from tax services. Thirty percent of these firms own their own office buildings. Twenty-five percent of the accounting and write-up firms own their own buildings, while only 12% of the other firms do.

Years in practice do not generally affect the proportion of respondents either renting or using part of their home for an office. Average monthly rental also appears to be little affected by the number of years in practice.

Computation of Tax Returns by Data Processing

Thirty-two percent of the 3,175 respondents say they use a computer service bureau for the preparation of tax returns (see Table 19). This is up substantially from the 12% reported in the 1968 survey, and from the 28% in the last survey. Of those who say they do not do so, 331 indicate they are planning to use a computer tax service in 1979. This means that if most of the firms using the service bureau for tax returns continue with it and those indicating they would start in 1979 actually do so, 43% of all respondents in the survey will have their tax forms done by some type of data processing in 1979.

Regional differences in the use of a service bureau for tax returns are not substantial, except in

TABLE 17. *Office Facilities and Average Monthly Rent by Region, Area, and Population*

		Office Facilities			Average Monthly Rent
		Own Office Building[1]	Office Rented	Office in Home	
		No.	No.	No.	$
Survey Totals	1972	581	1,335	464[2]	181
	1975	648	1,511	535[3]	215
Number	1978	814	1,742	605[4]	284
Geographic & Population Data					
Region					
New England		49	129	63	266
Middle Atlantic		113	332	186	289
Southeast		200	339	78	238
Central		223	414	130	297
Northwest		53	101	36	252
Southwest		73	136	40	281
Far West		103	291	72	330
Metropolitan Area					
Chicago		9	43	17	376
Cleveland		3	10	7	242
Detroit		15	15	1	327
Los Angeles		8	50	13	287
Minneapolis-St. Paul		6	12	2	260
New York		13	75	49	295
Philadelphia		4	27	8	233
San Francisco		1	21	10	320
Washington, D.C.		0	21	10	466
Population Size					
Under 25,000		314	387	126	198
25,000 to 49,999		98	210	66	293
50,000 to 99,999		107	209	78	270
100,000 to 499,999		149	330	110	310
500,000 to 999,999		40	160	64	339
1,000,000 or more		106	446	161	320

[1]Individually or with others.

[2]Does not add to survey total because of 5 who did not answer.

[3]Does not add to survey total because of 14 who did not answer.

[4]Does not add to survey total because of 14 who did not answer.

TABLE 18. *Office Facilities and Average Monthly Rent by Selected Characteristics of Public Accounting Firms*

	Office Facilities			Average Monthly Rent
	Own Office Building[1]	Office Rented	Office in Home	
	No.	No.	No.	$
Size of Firm				
Proprietor with no full-time employees	129	504	453	174
Proprietor with full-time employees	553	933	123	288
Two partners	95	248	24	423
Three or more partners	37	57	5	566
Employees of Firm				
One full-time employee	223	493	96	233
Two full-time employees	158	324	23	288
Three full-time employees	110	156	3	367
Four or more full-time employees	165	206	6	592
Gross Income				
Under $15,000	4	4	21	*
$15,000 to $19,999	15	65	76	124
$20,000 to $29,999	54	177	176	153
$30,000 to $39,999	93	271	148	181
$40,000 to $49,999	97	230	87	201
$50,000 to $74,999	200	417	78	251
$75,000 to $99,999	128	241	8	315
$100,000 to $199,999	170	244	10	437
$200,000 or more	53	93	1	813
Primary Source of Income				
Tax services	227	374	148	254
Accounting and write-up	581	1,334	448	288
Other (incl. auditing)	6	34	9	452
Years in Practice				
1 to 4 years	39	207	60	249
5 to 9 years	124	302	111	265
10 to 14 years	121	246	77	294
15 to 19 years	146	241	79	308
20 to 24 years	133	251	90	286
25 to 29 years	116	223	86	279
30 or more years	129	260	102	297

[1]Individually or with others.

*Data insufficient to report separately.

TABLE 19. *Computation of Tax Returns by Data Processing by Region, Area, and Population*

		Computer Service Bureau for Preparation of Income Tax Returns		If Negative, Plans for Tax Returns by Computer in 1979	
		Firm Uses	Does not Use	Will Use	Will not Use
Survey Totals	1972	622	1,763	188	1,538[1]
	1975	754	1,951[2]	161	1,751[3]
Number of Respondents	1978	1,019	2,146[4]	331	1,755[5]
Geographic & Population Data					
Region					
New England		47	193	21	166
Middle Atlantic		196	436	66	363
Southeast		129	488	66	404
Central		223	545	79	455
Northwest		49	141	28	109
Southwest		70	180	26	143
Far West		305	163	45	115
Metropolitan Area					
Chicago		25	44	7	34
Cleveland		4	16	2	14
Detroit		6	25	4	20
Los Angeles		55	15	7	9
Minneapolis-St. Paul		9	11	0	11
New York		71	67	12	52
Philadelphia		7	32	3	29
San Francisco		19	13	7	7
Washington, D.C.		12	19	2	15
Population Size					
Under 25,000		172	658	73	554
25,000 to 49,999		120	254	42	202
50,000 to 99,999		116	278	48	223
100,000 to 499,999		179	410	75	326
500,000 to 999,999		109	155	21	135
1,000,000 or more		323	391	72	315

[1]Does not add to "no" total of 1,763 because of 37 who did not answer.

[2]Does not add to 1975 sample total because of 3 who did not answer.

[3]Does not add to "no" total of 1,951 because of 39 who did not answer.

[4]Does not add to 1978 sample total because of 10 who did not answer.

[5]Does not add to "no" total of 2,146 because of 60 who did not answer.

the Far West, where 65% of the respondents use data processing for tax forms. In the other regions the percentage of participation ranges from 20% to 31%.

The proportion using a service bureau for tax returns increases with income, firm size, and number of employees. Not much variation is seen by the number of years in practice (see Table 20).

Other Uses of Data Processing Equipment

Besides using data processing for preparation of tax returns, respondents were asked if they use the computer to perform any accounting or other services (see Table 21). Forty-eight percent (1,488) of the 3,131 reporting said yes. This is an increase of nine percentage points over the 1975 survey.

Of the 1,488, 593 own equipment, 104 lease it, 241 use a computer service bureau with input equipment in their offices, and 550 firms use a service bureau with no input equipment in their offices. Almost 22 percent of all respondents own or lease in-house data processing equipment. It should be noted that this does not include the leasing of input equipment from a service bureau. The 697 firms who say they own or lease have full data processing equipment in their office facilities.

There has been a significant increase in the percentage of firms who use data processing for other than income tax returns who own equipment. In 1972, 19% of these firms owned their equipment. In the 1975 survey, 29% of the 1,058 using data processing for other than income tax returns owned equipment. In the current survey this percentage has risen to 40%.

Population size does not appear to influence the decision to use data processing equipment. Firm size, though, does influence the proportion of firms using data processing equipment for other than tax returns (see Table 22). Almost two-thirds of the two-partner firms use the computer, and 74% of the three-or-more-partner firms also use such equipment. The number of employees in the firm also is related to the use of data processing equipment. Seventy-four percent of the firms with four or more full-time employees use data processing equipment.

Use of computer equipment increases with income. Sixty-one percent of all firms with $50,000 or more in gross income use data processing equipment. At the other extreme, only 21% of the firms with under $15,000 gross income employ such equipment. Although in the 1968 survey there was a clear pattern of greater computer use by accountants with only a few years in practice than by those with many years' experience, this pattern did not show up in 1972 or 1975. The increased use of computers has affected all accountants, regardless of the number of years they have practiced, and the results of the current study continue to show this.

TABLE 20. *Computation of Tax Returns by Data Processing by Selected Characteristics of Public Accounting Firms*

	Computer Service Bureau for Preparation of Income Tax Returns		If Negative, Plans for Tax Returns by Computer in 1979	
	Firm Uses	Does not Use	Firm Will Use	Will not Use
	No.	No.	No.	No.
Size of Firm				
Proprietor with no full-time employees	273	818	104	690
Proprietor with full-time employees	551	1,057	181	836
Two partners	145	222	35	188
Three or more partners	50	49	11	41
Employees of Firm				
One full-time employee	252	554	72	466
Two full-time employees	178	330	55	266
Three full-time employees	105	165	37	119
Four or more full-time employees	169	208	58	148
Gross Income				
Under $15,000	2	27	0	26
$15,000 to $19,999	20	138	11	120
$20,000 to $29,999	76	335	40	284
$30,000 to $39,999	135	375	44	321
$40,000 to $49,000	113	300	40	251
$50,000 to $74,000	246	451	72	370
$75,000 to $99,999	146	230	51	172
$100,000 to $199,999	193	230	54	170
$200,000 or more	88	60	19	41
Primary Source of Income				
Tax services	204	543	87	441
Accounting and write-up	788	1,580	239	1,298
Other (incl. auditing)	27	23	5	16
Years in Practice				
1 to 4 years	85	221	41	175
5 to 9 years	164	378	51	313
10 to 14 years	130	313	38	262
15 to 19 years	153	310	56	246
20 to 24 years	148	325	57	251
25 to 29 years	161	266	45	218
30 or more years	167	326	42	282

TABLE 21. *Use of Data Processing Equipment by Region, Area, and Population*

		Data Processing for Other than Income Tax Returns		If Affirmative, Firm:			
						Uses Service Bureau	
		Firm Uses	Does not Use	Owns Data Processing Equipment	Leases the Equip.	Input Equip. in Office	No Input Equip. in Office
		No.	No.	No.	No.	No.	No.
Survey Totals	1972	846	1,539	164	70	284	328
	1975	1,058	1,631[1]	305	96	242	415
Number of Respondents	1978	1,488	1,643[2]	593	104	241	550
Geographic & Population Data							
Region							
New England		83	156	21	5	12	45
Middle Atlantic		212	405	67	8	19	118
Southeast		307	299	157	19	61	70
Central		411	357	164	33	63	151
Northwest		106	82	48	12	7	39
Southwest		129	121	64	14	16	35
Far West		240	223	72	13	63	92
Metropolitan Area							
Chicago		42	26	7	2	7	26
Cleveland		8	12	2	1	0	5
Detroit		12	19	6	1	0	5
Los Angeles		36	34	8	2	9	17
Minneapolis-St. Paul		12	8	0	2	0	10
New Y k		35	98	5	1	5	24
Philadelphia		10	29	2	0	1	7
San Francisco		15	16	1	2	6	6
Washington, D.C.		14	16	5	1	1	7
Population Size							
Under 25,000		353	468	176	27	53	97
25,000 to $49,999		176	192	76	9	32	59
50,000 to 99,999		193	200	74	12	34	73
100,000 to 499,999		302	286	130	26	55	91
500,000 to 999,999		131	131	54	13	17	47
1,000,000 or more		333	366	83	17	50	183

[1]Does not add to 1975 total of 2,708 because of 19 who did not answer.

[2]Does not add to 1978 total of 3,175 because of 44 who did not answer.

TABLE 22. *Use of Data Processing Equipment by Selected Characteristics of Public Accounting Firms*

	Data Processing for Other than Income Tax Returns		If Affirmative, Firm:			
					Uses Service Bureau	
	Firm Uses	Does not Use	Owns Data Processing Equipment	Leases the Equip.	Input Equip. in Office	No Input Equip. in Office
	No.	No.	No.	No.	No.	No.
Size of Firm						
Proprietor with no full-time employees	311	760	61	9	51	190
Proprietor with full-time employees	868	730	386	62	149	271
Two partners	237	128	113	27	28	69
Three or more partners	72	55	33	6	13	20
Employees of Firm						
One full-time employee	386	414	123	31	73	159
Two full-time employees	287	218	121	21	57	88
Three full-time employees	168	100	99	14	18	37
Four or more full-time employees	275	99	160	31	30	54
Gross Income						
Under $15,000	6	23	1	0	0	5
$15,000 to $19,999	25	128	4	3	4	14
$20,000 to $29,999	95	305	20	3	20	52
$30,000 to $39,999	191	316	48	12	38	93
$40,000 to $49,999	173	234	53	8	28	84
$50,000 to $74,999	338	354	135	21	54	128
$75,000 to $99,999	242	135	107	21	48	66
$100,000 to $199,999	303	117	163	26	36	78
$200,000 or more	115	31	62	10	13	30
Primary Source of Income						
Tax services	247	486	90	27	42	88
Accounting and write-up	1,218	1,131	497	74	194	453
Other (incl. auditing)	23	26	6	3	5	9
Years in Practice						
1 to 4 years	149	153	48	14	19	68
5 to 9 years	264	273	95	19	45	105
10 to 14 years	218	222	95	15	34	74
15 to 19 years	245	219	110	15	41	79
20 to 24 years	222	245	104	13	29	76
25 to 29 years	177	244	71	9	24	73
30 or more years	202	280	66	16	48	72

CHAPTER VI

Employee Costs, Income and Expenses

All income and expense data in this chapter are medians, except where otherwise noted. Because of the extremes in income data (gross income data vary from $9,000 to $400,000), average net income data tend to be about 25% greater than the median figures. Since the median income figure represents the middle income (i.e., 50% of the respondents have incomes at or below the median and 50% have incomes at or above the median), it is a better measure of the middle value than the average in this case. Because most of the income data are reported by respondents to the nearest $1,000, the income data in this report have also been rounded to the nearest $1,000.

All income data reported in the following tables are for the firm and not the individual or principal in the firm. For proprietorships, all net income, of course, goes to the principal, but in partnerships a determination must be made as to who gets which share of the income. Individual partners' net income share is reported in Tables 25 and 26.

Because of the use of medians, figures in Tables 25 and 26 may not add to the totals, in some cases. Each median is the middle for that group of data and does not have any relationship to another median. Therefore, median net income and expense data will not always add to median gross income.

The gross income figure is a little better measure of a firm's position among all 3,175 respondents than the net income figure. This fact is due to the extremely wide variation in employee costs and expenses. Firms reporting the same gross income have as much as $5,000 difference in net income. For example, two firms may report a $30,000 gross income, but one reports a $26,000 net income while the other shows a $21,000 net. The firm with the high net has no full-time employees and has office facilities at home. The other firm has one full-time employee, rents office space, etc. The data in Tables 23 and 24 clearly show these factors at work.

Gross and Net Income, 1976, 1977 and 1978

Respondents were asked to report the gross and net incomes of their firms for 1976 and 1977. The 1978 data are taken from the estimated income and expense data requested of each respondent. Although the 1978 data are contained in Tables 25 and 26, they are also added to Tables 23 and 24 to provide three years' comparison.

In the three years (1976-1978), the median gross income of all the firms increased 19%, $42,000 to $50,000 (see Table 23). In the same period, median net income increased 23%, from $22,000 to $27,000.

Gross income in 1978 by region varies by $16,000, while net income varies by $6,000. In the Middle Atlantic region net income in 1978 is $29,000 on a $49,000 gross, while in the Far West the net is $30,000 on a $61,000.

All regions had growth in gross incomes for each of the three years covered. The Far West region registered the greatest growth, increasing $13,000 from 1976 to 1978. The Far West region also had the highest gross income ($61,000) of any of the regions in 1978. Minneapolis-St. Paul firms estimate their median gross income for 1978 at $62,000, with a net of $27,000. In Washington, D.C., firms estimate their 1978 gross at $61,000 with a net of $35,000.

Neither net nor gross income increases consistently as population size goes up. The size of the firm and the number of employees influence the median gross and net income (see Table 24). As these magnitudes increase, so do the median gross and net income. The 1978 median net income for a two-partner firm is $50,000. This is a 28% increase over the 1976 net income for these firms. There was a 41% increase in net income of three-or-more-partner firms since 1976.

$50,000	Gross Income
$15,000	Employee Costs
$39,000	Net before Expenses
$11,000	Expenses
$27,000	Net Income

FIGURE 8. MEDIAN GROSS INCOME, WAGES, EXPENSES AND NET INCOME
*Income data will not add because of the use of medians and rounding to thousands

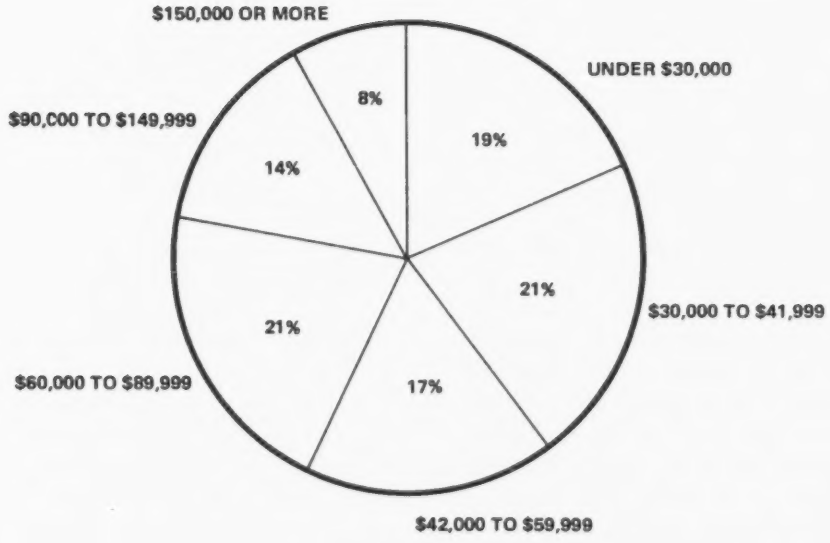


FIGURE 9. DISTRIBUTION OF GROSS INCOME OF ALL RESPONDENT FIRMS

Firms specializing in tax services are generally smaller than accounting and write-up firms. Both the gross and net incomes for tax service firms are below those of accounting and auditing firms. In 1978 the net incomes of all three types of firms represented approximately the same proportion of their gross incomes, slightly over one-half. Total expenses for these firms are approximately proportionate to their gross incomes. The net income of auditing firms is a slightly higher percentage of gross income than for the other two types of firms.

Income by years in practice increases steadily up to 14 years. At that point the gross vacillates but the net generally does not decline.

1978 Income, Employee Costs, and Other Expenses

The survey questionnaire asked all respondents to estimate and report their gross income, employee costs, net income before expenses other than employee costs, and net income before taxes and drawings of principals. For partnerships, the share of the income received by the partner filling out the questionnaire was requested. All of this information is printed in Tables 25 and 26.

As stated above, the data do not always add to the totals. For example, the median gross income for all firms reporting is $50,000. The employee costs are $15,000, but the median net income before other expenses is $39,000, not $35,000. The major reason for this difference is that not all firms have employee costs. Therefore, they are eliminated in the calculation of the median employee cost.

Partner share of net income is reported separately. The median net income for the responding partners is $27,000. This is the median income share of 432 partners who reported their share of net income. The majority of partners split evenly, particularly the two-partner firms where each receives 50% of the net income. Usually when the split is not even, a young partner is buying out the senior partner so he can retire. In this latter case, a one-third/two-thirds split is often made, one-third going to the retiring partner who is not working full time in the practice. There was a 17% increase in the individual partner net income share between 1975 and 1978. Since 1972 an individual partner's share has increased 35%.

It is difficult to infer any significant difference by region, area or population for the data in Table 25. Both gross and net appear to be unaffected by population size.

Table 26 shows estimated 1978 income and expenses by one more characteristic than all of the other tables. Net income as a characteristic has been added to this table to show the median income of each group. In making the comparison between gross and net income, the practicing accountant should take into consideration the significant differences from one firm to another in employee costs and other expenses. Because of the use of medians, some of the data have wide gaps, such as the difference between gross income of firms with four or more full-time employees, $151,000, and employee costs of $52,000, with a net before expenses of $88,000.

The current survey shows almost no difference in the individual partner's share as the number of partners in the firm increases. Partners in a two-partner firm have a median share of $27,000, while those in three-or-more-partner firms show a median share of $26,000. In the previous survey there was a difference of $5,000, with the higher share going to partners in the larger firms. The individual partner net income share in a two-partner firm increased 23% between 1975 and 1978, while in a three-or-more-partner firm the net income share declined by $1,000 or 4%.

Table 27 is a special table showing the number of respondents by gross income level for the survey and for the firm size and primary source of income. From this table it is easy to see how many firms fall into each income bracket. Slightly over half of all reporting firms have gross incomes under

TABLE 23. *Median Gross and Net Income for 1976, 1977, and 1978 by Region, Area, and Population*

	1976 income		1977 Income		1978 Estimated Income	
	Gross	Net	Gross	Net	Gross	Net
	$	$	$	$	$	$
Survey Totals						
Median	42,000	22,000	47,000	25,000	50,000	27,000
Average	56,000	27,000	62,000	31,000	67,000	33,000
Geographic & Population Data						
Region						
New England	40,000	22,000	42,000	24,000	45,000	26,000
Middle Atlantic	42,000	24,000	46,000	27,000	49,000	29,000
Southeast	40,000	20,000	44,000	23,000	47,000	25,000
Central	46,000	23,000	51,000	25,000	55,000	27,000
Northwest	44,000	22,000	48,000	23,000	49,000	25,000
Southwest	39,000	20,000	42,000	23,000	48,000	24,000
Far West	48,000	24,000	55,000	27,000	61,000	30,000
Metropolitan						
Chicago	48,000	27,000	49,000	32,000	55,000	36,000
Cleveland	39,000	22,000	36,000	24,000	33,000	23,000
Detroit	49,000	25,000	56,000	30,000	56,000	31,000
Los Angeles	48,300	25,000	50,000	29,000	60,000	31,000
Minneapolis-St. Paul	48,000	22,000	59,000	23,000	62,000	27,000
New York	43,000	28,000	45,000	30,000	49,000	31,000
Philadelphia	37,000	23,000	39,000	28,000	45,000	28,000
San Francisco	50,000	30,000	48,000	29,000	48,000	30,000
Washington, D.C.	44,000	30,000	49,000	33,000	61,000	35,000
Population Size						
Under 25,000	40,000	20,000	44,000	23,000	47,000	24,000
25,000 to 49,999	43,000	22,000	48,000	25,000	50,000	26,000
50,000 to 99,999	44,000	22,000	49,000	26,000	52,000	29,000
100,000 to 499,999	42,000	22,000	47,000	24,000	50,000	26,000
500,000 to 999,999	43,000	22,000	47,000	25,000	50,000	27,000
1,000,000 or more	46,000	25,000	50,000	28,000	55,000	30,000

TABLE 24. *Median Gross and Net Income for 1976, 1977, and 1978 by Selected Characteristics of Public Accounting Firms*

	1976 Income		1977 Income		1978 Estimated Income	
	Gross	Net	Gross	Net	Gross	Net
	$	$	$	$	$	$
Size of Firm						
Proprietor with no full-time employees	26,000	17,000	29,000	19,000	31,000	20,000
Proprietor with full-time employees	52,000	24,000	58,000	26,000	63,000	29,000
Two partners	84,000	39,000	89,000	43,000	95,000	50,000
Three or more partners	107,000	51,000	119,000	56,000	137,000	72,000
Employees of Firm						
One full-time employee	39,000	21,000	44,000	23,000	48,000	25,000
Two full-time employees	56,000	25,000	63,000	30,000	69,000	31,000
Three full-time employees	77,000	31,000	86,000	35,000	94,000	38,000
Four or more full-time employees	115,000	41,000	136,000	48,000	151,000	54,000
1978 Gross Income						
Under $15,000	13,000	10,000	13,000	11,000	13,000	11,000
$15,000 to $19,999	15,000	11,000	16,000	11,000	18,000	12,000
$20,000 to $29,999	20,000	14,000	23,000	15,000	25,000	16,000
$30,000 to $39,999	28,000	17,000	31,000	19,000	34,000	21,000
$40,000 to $49,999	37,000	20,000	40,000	23,000	44,000	25,000
$50,000 to $74,999	49,000	25,000	55,000	28,000	61,000	31,000
$75,000 to $99,999	70,000	31,000	77,000	35,000	84,000	40,000
$100,000 to $199,999	99,000	40,000	114,000	45,000	126,000	52,000
$200,000 or more	193,000	74,000	214,000	85,000	230,000	100,000
Primary Source of Income						
Tax services	40,000	21,000	44,000	23,000	46,000	25,000
Accounting and write-up	44,000	23,000	48,000	25,000	51,000	27,000
Other (incl. auditing)	51,000	31,000	59,000	36,000	63,000	39,000
Years in Practice						
1 to 4 years	25,000	14,000	31,000	17,000	35,000	21,000
5 to 9 years	34,000	18,000	39,000	21,000	44,000	24,000
10 to 14 years	46,000	23,000	52,000	26,000	57,000	27,000
15 to 19 years	48,000	24,000	51,000	26,000	56,000	29,000
20 to 24 years	47,000	25,000	53,000	27,000	59,000	29,000
25 to 29 years	47,000	25,000	51,000	28,000	54,000	29,000
30 or more years	46,000	25,000	49,000	27,000	51,000	28,000

TABLE 25. *1978 Median Gross Income, Employee Costs, Other Expenses. Net Income, and Individual Partner's Net Income[1] by Region, Area, and Population*

Survey Totals		Estimated 1978 Gross and Net Income[2]						Indiv. Partner Net Income Share
		All Respondents	Gross Income	Employee Costs	Net before Expenses	Other Expenses	Net Income	
		No.	$	$	$	$	$	$
Median	1972	2,385	35,000	10,000	26,000	7,000	19,000	20,000
	1975	2,708	40,000	11,000	31,000	9,000	22,000	23,000
	1978	3,175	50,000	15,000	39,000	11,000	27,000	27,000
Average	1972	2,385	45,000	15,000	32,000	10,000	24,000	22,000
	1975	2,708	53,000	17,000	38,000	12,000	27,000	26,000
	1978	3,175	67,000	21,000	48,000	17,000	33,000	30,000
Geographic & Population Data								
Region		3,175						
New England		241	45,000	13,000	35,000	9,000	26,000	40,000
Middle Atlantic		634	49,000	15,000	40,000	10,000	29,000	28,000
Southeast		618	47,000	14,000	35,000	11,000	25,000	25,000
Central		773	55,000	16,000	40,000	12,000	27,000	30,000
Northwest		190	49,000	15,000	35,000	10,000	25,000	28,000
Southwest		250	48,000	13,000	36,000	12,000	24,000	20,000
Far West		469	61,000	17,000	45,000	15,000	30,000	31,000
Metropolitan Area		451						
Chicago		69	55,000	21,000	41,000	10,300	36,000	41,000
Cleveland		20	33,000	12,000	30,000	7,000	23,000	*
Detroit		31	56,000	21,000	41,000	13,000	31,000	*
Los Angeles		71	60,000	18,000	49,000	14,000	31,000	38,000
Minneapolis-St. Paul		20	62,000	28,000	40,000	13,000	27,000	*
New York		138	49,000	14,000	42,000	10,000	31,000	40,000
Philadelphia		39	45,000	11,000	38,000	10,000	28,000	31,000
San Francisco		32	48,000	12,000	40,000	10,000	30,000	*
Washington, D.C.		31	61,000	19,000	44,000	14,000	35,000	33,000
Population Size		3,175						
Under 25,000		832	47,000	14,000	34,000	10,000	24,000	25,000
25,000 to 49,999		374	50,000	15,000	38,000	12,000	26,000	30,000
50,000 to 99,999		396	52,000	16,000	41,000	12,000	29,000	25,000
100,000 to 499,999		591	50,000	15,000	38,000	11,000	26,000	28,000
500,000 to 999,999		267	50,000	15,000	40,000	11,000	27,000	24,000
1,000,000 or more		715	55,000	16,000	42,000	11,000	30,000	31,000

[1]Figures shown include both single-proprietorship and partner firms.

[2]Because of the use of medians, the data will not always add to the appropriate totals.

*Data insufficient to report separately.

TABLE 26. *1978 Median Gross Income, Employee Costs, Other Expenses. Net Income, and Individual Partner's Net Income[1] by Region, Area, and Population*

	Estimated 1978 Gross and Net Income[2]						Indiv. Partner Net Income Share
	All Respondents	Gross Income	Employee Costs	Net before Expenses	Other Expenses	Net Income	
	No.	$	$	$	$	$	$
Size of Firm	3,175						
Proprietor with no full-time employees	1,093	31,000	4,000	28,000	7,000	20,000	**
Proprietor with full-time employees	1,615	63,000	18,000	43,000	14,000	29,000	**
Two partners	368	95,000	23,000	72,000	23,000	50,000	27,000
Three or more partners	99	137,000	40,000	91,000	35,000	72,000	26,000
Employees of Firm	1,969						
One full-time employee	812	48,000	11,000	36,000	10,000	25,000	25,000
Two full-time employees	509	69,000	21,000	47,000	15,000	31,000	26,000
Three full-time employees	270	94,000	32,000	61,000	23,000	38,000	27,000
Four or more full-time employees	378	151,000	52,000	88,000	38,000	54,000	39,000
1978 Gross Income	3,175						
Under $15,000	29	13,000	2,000	14,000	2,000	11,000	*
$15,000 to $19,999	158	18,000	2,000	16,000	4,000	12,000	*
$20,000 to $29,999	411	25,000	4,000	22,000	6,000	16,000	11,000
$30,000 to $39,999	514	34,000	7,000	29,000	8,000	21,000	12,000
$40,000 to $49,999	415	44,000	10,000	35,000	10,000	25,000	14,000
$50,000 to $74,999	698	61,000	16,000	45,000	14,000	31,000	20,000
$75,000 to $99,999	378	84,000	24,000	59,000	20,000	40,000	24,000
$100,000 to $199,999	424	126,000	42,000	86,000	31,000	52,000	32,000
$200,000 or more	148	230,000	73,000	152,000	63,000	100,000	47,000
1978 Net Income	3,175						
Under $10,000	37	18,000	6,000	14,000	5,000	9,000	*
$10,000 to $14,999	393	23,000	6,000	19,000	6,000	13,000	7,000
$15,000 to $19,999	471	31,000	8,000	25,000	8,000	17,000	10,000
$20,000 to $24,999	519	41,000	11,000	31,000	9,000	22,000	12,000
$25,000 to $29,999	420	49,000	14,000	38,000	10,000	27,000	15,000
$30,000 to $39,999	551	65,000	19,000	49,000	15,000	34,000	19,000
$40,000 to $49,999	306	86,000	22,000	63,000	19,000	44,000	23,000
$50,000 to $99,999	386	129,000	34,000	90,000	26,000	61,000	34,000
$100,000 or more	92	237,000	55,000	162,000	54,000	115,000	51,000
Primary Source of Income	3,175						
Tax services	749	46,000	13,000	35,000	10,000	25,000	26,000
Accounting and write-up	2,376	51,000	16,000	40,000	12,000	27,000	26,000
Other (incl. auditing)	50	63,000	17,000	45,000	11,000	39,000	41,000
Years in Practice	3,157						
1 to 4 years	307	35,000	9,000	30,000	9,000	21,000	20,000
5 to 9 years	542	44,000	11,000	34,000	11,000	24,000	23,000
10 to 14 years	444	57,000	16,000	41,000	12,000	27,000	25,000
15 to 19 years	467	56,000	17,000	43,000	14,000	29,000	30,000
20 to 24 years	475	59,000	19,000	41,000	11,000	29,000	31,000
25 to 29 years	428	54,000	15,000	41,000	12,000	29,000	30,000
30 or more years	494	51,000	16,000	40,000	10,000	28,000	31,000

[1]Figures shown include both single-proprietorship and partner firms.

[2]Because of the use of medians, the data will not always add to the appropriate totals.

*Data insufficient to report separately.

**No data reported.

$54,000. Eleven percent of the proprietorships with no full-time employees have gross incomes of under $30,000. However, all of the two-partner firms have gross incomes of $30,000 or more.

1978 Median Net Income for Size of Firm

Data in Tables 28 and 29 show net income by size of firm by all eight characteristics. The regional data show a wide variation in the net income of two-partner firms, from $38,000 in the Southwest to $68,000 in New England (see Table 28). Metropolitan data in most cases are insufficient to report separately. For proprietorships, net income generally increases with population size. For two-partner firms, however, the pattern is mixed.

There is also a somewhat mixed pattern to the net income data classified by years in practice. Proprietors with no full-time employees show increasing net incomes until 29 years in practice, as do three-or-more-partner firms.

TABLE 27. *Distribution of 1978 Gross Income by Size of Firm and Primary Source of Income*

		All Respondents	Percentage Distribution of all Respondents	Proprietorships		Partnerships		Primary Source of Income		
				With No Full-Time Employees	With Full-Time Employees	Two Partners	Three or more	Tax Services	Accounting and Write-up	Other Including Auditing
Median	1972	$35,000		$20,000	$42,000	$ 56,000	$140,000	$30,000	$36,000	$51,000
	1975	$40,000		$24,000	$50,000	$ 80,000	$132,000	$34,000	$41,000	$42,000
	1978	$50,000		$31,000	$63,000	$ 95,000	$137,000	$46,000	$51,000	$63,000
Average	1972	$45,000		$22,000	$49,000	$ 79,000	$175,000	$37,000	$47,000	$68,000
	1975	$53,000		$26,000	$59,000	$ 80,000	$170,000	$45,000	$55,000	$64,000
	1978	$67,000		$34,000	$74,000	$115,000	$148,000	$60,000	$68,000	$98,000
Range of Gross Income		No.	%	No.	No.	No.	No.	No.	No.	No.
9,000 to 17,999		116	3.7%	106	8	2	0	40	76	0
18,000 to 23,999		233	7.3%	211	19	3	0	78	153	2
24,000 to 29,999		250	7.9%	192	50	8	0	65	178	7
30,000 to 35,999		388	12.2%	233	131	19	5	90	298	0
36,000 to 41,999		272	8.6%	126	128	17	1	69	203	0
42,000 to 47,999		217	6.8%	67	134	12	4	45	168	4
48,000 to 53,999		192	6.0%	39	142	10	1	53	135	4
54,000 to 59,999		143	4.5%	28	101	11	3	29	110	4
60,000 to 65,999		245	7.7%	51	174	18	2	66	174	5
66,000 to 71,999		122	3.8%	13	94	14	1	27	92	3
72,000 to 80,999		215	6.8%	15	164	27	9	48	165	2
81,000 to 89,999		86	2.7%	2	64	18	2	15	69	2
90,000 to 99,999		120	3.8%	3	85	28	4	24	94	2
100,000 to 119,999		158	5.0%	4	123	24	7	24	132	2
120,000 to 149,999		151	4.8%	0	88	54	9	27	123	1
150,000 or more		267	8.4%	3	110	103	51	49	206	12
TOTAL REPORTING		3,175	100.0%	1,093	1,615	368	99	749	2,376	50

TABLE 28. *1978 Median Net Income for Size of Firm by Region, Area, and Population*

		Proprietorship		Partnership	
		With No Full-Time Empl.	With Full-Time Empl.	Two Partners	Three or More
Survey Totals		1,093	1,615	368	99
Median	1972	14,000	21,000	35,000	66,000
	1975	16,000	24,000	40,000	66,000
	1978	20,000	29,000	50,000	72,000
Average	1972	15,000	23,000	38,000	74,000
	1975	17,000	26,000	42,000	77,000
	1978	22,000	32,000	55,000	80,000
Geographic & Population Data					
Region					
New England		20,000	29,000	68,000	113,000
Middle Atlantic		23,000	31,000	55,000	91,000
Southeast		18,000	25,000	43,000	46,000
Central		19,000	28,000	50,000	69,000
Northwest		18,000	27,000	47,000	97,000
Southwest		18,000	27,000	38,000	42,000
Far West		22,000	32,000	61,000	95,000
Metropolitan Area					
Chicago		25,000	38,000	71,000	*
Cleveland		20,000	35,000	*	*
Detroit		32,000	31,000	*	**
Los Angeles		23,000	35,000	*	*
Minneapolis-St. Paul		19,000	32,000	*	*
New York		27,000	38,000	82,000	*
Philadelphia		23,000	29,000	*	*
San Francisco		27,000	31,000	*	**
Washington, D.C.		22,000	34,000	42,000	*
Population Size					
Under 25,000		17,000	25,000	44,000	55,000
25,000 to 49,999		18,000	28,000	54,000	52,000
50,000 to 99,999		20,000	31,000	42,000	57,000
100,000 to 499,999		20,000	28,000	52,000	99,000
500,000 to 999,999		22,000	29,000	41,000	66,000
1,000,000 or more		24,000	32,000	60,000	72,000

*Data insufficient to report separately.

**No Answer.

TABLE 29. *1978 Median Net Income for Size of Firm by Selected Characteristics of Public Accounting Firms*

	Proprietorship		Partnership	
	With No Full-Time Empl.	With Full-Time Empl.	Two Partners	Three or More
Size of Firm				
Proprietor with no full-time employees	20,000	**	**	**
Proprietor with full-time employees	**	28,000	**	**
Two partners	**	**	50,000	**
Three or more partners	**	**	**	72,000
Employees of Firm				
One full-time employee	**	25,000	38,000	42,000
Two full-time employees	**	29,000	51,000	56,000
Three full-time employees	**	35,000	50,000	69,000
Four or more full-time employees	**	43,000	72,000	113,000
Gross Income				
Under $15,000	10,000	*	**	**
$15,000 to $19,999	12,000	11,000	*	**
$20,000 to $29,999	17,000	14,000	18,000	**
$30,000 to $39,999	23,000	18,000	23,000	21,000
$40,000 to $49,999	30,000	22,000	22,000	29,000
$50,000 to $74,999	38,000	28,000	37,000	35,000
$75,000 to $99,999	51,000	37,000	45,000	42,000
$100,000 to $199,999	54,000	46,000	65,000	69,000
$200,000 or more	*	74,000	98,000	121,000
Primary Source of Income				
Tax services	18,000	27,000	42,000	86,000
Accounting and write-up	21,000	29,000	51,000	68,000
Other (incl. auditing)	20,000	28,000	66,000	142,000
Years in Practice				
1 to 4 years	16,000	23,000	38,000	46,000
5 to 9 years	18,000	25,000	44,000	55,000
10 to 14 years	21,000	28,000	46,000	68,000
15 to 19 years	20,000	31,000	54,000	72,000
20 to 24 years	22,000	30,000	55,000	91,000
25 to 29 years	24,000	30,000	52,000	95,000
30 or more years	22,000	30,000	51,000	58,000

*ta insufficient to report separately.

**No answer.

CHAPTER VII

Characteristics of the Sample

The final three tables (Tables 30, 31 and 32) have been included to give the practicing accountant an idea of the distribution of the 3,175 respondents according to income brackets, size of firm, source of income, and geographical regions.

Table 30 indicates the number of respondents falling into each characteristic category by the 10 gross income classifications. It can be seen that 124 firms in the Central region have gross incomes from $30,000 to $39,999, or that 72 firms in the study are primarily tax service firms which gross incomes of $100,000 to $199,999.

There is little relationship between gross income and population size. The highest number of firms is in the $50,000 to $74,999 bracket for all six population categories. However, in no population category does the number of firms build up to the highest number and then drop off again in a regular pattern.

Size of firm and source of income characteristics are compared with metropolitan area, population and net income in Table 31. The primary source of income is write-up and accounting in all population categories. In areas of under 25,000 population, write-up and accounting provides two-thirds of the income, while in all other population categories the proportion rises to about three-quarters.

Only 10 of the 99 three-or-more-partner firms reporting are located in the nine large metropolitan areas which were selected for special attention in this study. Over four-fifths of these three-or-more-partner firms are located in cities of less than one million population, and 34 are reported from cities of less than 50,000 population.

Table 32 shows geographical regions by three characteristics: population, net income, and years in practice. There are significant differences in the distribution of respondents by population by region. For example, 40% of the firms in the Middle Atlantic region are located in cities of one million or more. At the other extreme, only 6% of the responding firms in the Southeast are located in cities of one million or more.

Comparability of the samples from the three surveys is measured to some extent by the percentage distributions at the tops of Tables 31 and 32. The percentage distribution at the top of Table 31 must change as the economy changes. It is to be expected that an increasing portion of firms would be in the higher gross income brackets as inflationary pressures continue.

However, Tables 31 and 32 describe types of firms and their geographic locations. If these percentages remain relatively the same from one survey to another, then we know that the data can be validly compared from one study to another. We know that the figures in each study represent similar groups of accountants in practice in the United States.

We can see that in Table 31 only relatively minor changes have taken place in the distribution of the sample. The percentage of proprietorships with no full-time employees went down slightly from 1975 to 1978 with a corresponding rise for proprietorships with full-time employees. There has been a steady, although not large, increase in the percentage of firms in the sample whose primary source of income is tax services. The percentage changes for all three types of firms by source of income have been so insignificant since the last survey that the two studies could be considered equal in this characteristic.

None of the changes is sufficient in a sample of such large size to create incomparability of the three surveys. We are dealing in all three studies with quite similar samples, and the trends in the data should be considered meaningful for public accountants.

TABLE 30. *Sample Characteristics by Gross Income*

	Estimated 1978 Gross Income								
	Under $15,000	$15,000 $19,999	$20,000 $29,999	$30,000 $39,999	$40,000 $49,999	$50,000 $74,999	$75,000 $99,999	$100,000 $199,999	$200,000 or More
Total Respondents 1978	29	158	411	514	415	698	378	424	148
Percentage Distribution	0.9%	5.0%	12.9%	16.2%	13.1%	22.0%	11.9%	13.3%	4.7%
Region									
New England	6	16	38	41	35	51	21	25	8
Middle Atlantic	6	31	85	105	81	138	82	76	30
Southeast	6	30	78	112	104	141	56	78	13
Ccntral	6	39	85	124	93	150	107	119	50
Northwest	1	13	28	32	22	38	25	24	7
Southwest	2	6	46	43	31	58	26	28	10
Far West	2	23	51	57	49	122	61	74	30
Population Size									
Under 25,000	14	50	116	145	116	181	89	90	31
25,000 to 49,999	3	24	42	64	42	81	47	55	16
50,000 to 99,999	6	19	47	55	53	86	57	56	17
100,000 to 499,999	3	24	79	107	73	128	62	76	39
500,000 to 999,999	1	12	31	43	42	56	31	42	9
1,000,000 or more	2	29	96	100	89	166	92	105	36
Size of Firm									
Proprietor with no full-time employees	26	149	336	294	143	126	12	6	1
Proprietor with full time employees	3	6	66	189	243	509	281	270	48
Two partners	0	3	9	25	24	54	71	123	59
Three or more partners	0	0	0	6	5	9	14	25	40
Years in Practice									
1 to 4 years	8	31	75	60	33	53	19	19	9
5 to 9 years	4	39	86	104	72	116	56	44	21
10 to 14 years	6	19	51	58	54	111	57	72	16
15 to 19 years	1	17	47	73	61	101	66	77	24
20 to 24 years	4	19	45	63	68	107	63	85	21
25 to 29 years	1	10	47	71	62	103	51	54	29
30 or more years	5	23	57	85	62	103	64	69	26
Primary Source of Income									
Tax services	8	51	122	122	98	168	79	72	29
Accounting and write-up	21	106	281	392	311	516	293	349	107
Other (incl. auditing)	0	1	8	0	6	14	6	3	12

TABLE 31. *Sample Characteristics by Size of Firm and Primary Source of Income*

		Size of Firm				Primary Source of Income		
		Proprietorship		Partnership				
		No Full-Time Empl.	With Full-Time Empl.	Two Partners	Three or more	Tax Service	Write-up and Accounting	Other including Auditing
Total Respondents	1972	747	1,267	292	76	535	1,802	48
	1975	969	1,349	321	69	634	2,022	52
	1978	1,093	1,615	368	99	749	2,376	50
Percentage Distribution	1978	34.4%	50.9%	11.6%	3.1%	23.6%	74.8%	1.6%
Metropolian Area								
Chicago		32	25	11	1	9	60	0
Cleveland		11	5	3	1	3	17	0
Detroit		5	22	4	0	4	26	1
Los Angeles		36	30	4	1	21	48	2
Minneapolis-St. Paul		5	13	1	1	5	15	0
New York		85	34	15	4	18	119	1
Philadelphia		24	10	4	1	9	29	1
San Francisco		18	12	2	0	6	25	1
Washington, D.C.		10	12	8	1	7	22	2
Population Size								
Under 25,000		242	468	97	25	260	563	9
25,000 to 49,999		113	207	45	9	104	267	3
50,000 to 99,999		124	211	44	17	78	313	5
100,000 to 499,999		197	310	60	24	124	451	16
500,000 to 999,999		93	135	33	6	51	208	8
1,000,000 or more		324	284	89	18	132	574	9
Net Income								
Under $10,000		25	11	1	0	13	23	1
$10,000 to $14,999		263	125	4	1	112	277	4
$15,000 to $19,999		248	200	22	1	126	339	6
$20,000 to $24,999		205	283	24	7	122	392	5
$25,000 to $29,999		150	243	23	4	117	299	4
$30,000 to $39,999		130	354	57	10	111	434	6
$40,000 to $49,999		40	202	56	8	66	234	6
$50,000 to $99,999		32	176	146	32	71	306	9
$100,000 or more		0	21	35	36	11	72	9

TABLE 32. *Sample Characteristics by Geographical Regions*

		GEOGRAPHICAL REGIONS						
		New England	Mid-Atlantic	Southeast	Central	Northwest	Southwest	Far West
Total Respondents	1972	189	454	415	589	141	184	413
	1975	221	521	548	664	146	201	407
	1978	241	634	618	773	190	250	469
Percentage Distribution		7.6%	20.0%	19.4%	24.3%	6.0%	7.9%	14.8%
Population Size								
Under 25,000		70	113	200	246	84	67	52
25,000 to 49,999		53	67	93	75	15	25	46
50,000 to 99,999		44	79	73	86	21	28	65
100,000 to 499,999		41	86	154	119	34	57	100
500,000 to 999,999		4	34	58	58	9	31	73
1,000,000 or more		29	255	40	189	27	42	133
Net Income								
Under $10,000		4	9	9	7	5	1	2
$10,000 to $14,999		31	64	91	92	30	31	54
$15,000 to $19,999		37	81	101	118	29	61	44
$20,000 to $24,999		38	101	121	125	32	32	70
$25,000 to $29,999		43	86	77	87	27	32	68
$30,000 to $39,999		40	104	97	132	25	47	106
$40,000 to $49,999		19	72	43	81	14	23	54
$50,000 to $99,999		23	93	71	103	23	18	55
$100,000 or more		6	24	8	28	5	5	16
Years in Practice								
1 to 4 years		17	52	75	64	33	34	32
5 to 9 years		31	111	124	130	31	62	53
10 to 14 years		38	76	115	119	22	30	44
15 to 19 years		39	73	108	124	30	35	58
20 to 24 years		40	110	65	112	30	35	83
25 to 29 years		41	91	57	105	24	23	87
30 or more years		34	114	72	116	19	30	109

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1978 NSPA MEMBERSHIP INCOME AND FEE SURVEY

SECTION I—CLASSIFICATION DATA

A. Geographic Area

1. Where do you practice?

City_____

State_____

2. What is the population of the community in which you practice? (Check one)

NOTE: If you practice in a suburban area of a large metropolitan area, please report the population size of the metropolitan area.

Under 25,000	____
25,000 to 49,999	____
50,000 to 99,999	____
100,000 to 499,999	____
500,000 to 999,999	____
1,000,000 or more	____

6

7

8

B. Size of your firm

If your firm is a *sole proprietorship*, is it a firm with (check one):

1. no other full-time employees ____
2. one or more full-time employees ____

9

Excluding yourself and other principals, how many employees does your firm have?

Full Time_____(number) 10 11

Part Time_____(number) 12 13

If your firm is a *partnership* or *professional corporation*, how many partners or stockholders are there, including yourself?_____(number)

C. Years in Practice

How many years have you been in public practice as a principal?_____
(number of years) 14 15

D. Size of GROSS Income *for Your Firm*, estimated 1978 (check one)

Under $15,000	____	$30,000 to $39,999	____	$ 75,000 to $ 99,999	____
$15,000 to $19,999	____	$40,000 to $49,999	____	$100,000 to $199,999	____
$20,000 to $29,999	____	$50,000 to $74,999	____	$200,000 or more	____

16

E. Size of NET *for Your Firm*, estimated 1978 (check one)

(Net income *before* taxes and any drawings and/or salaries for principals, i.e., proprietor or partners)

Under $10,000	____	$20,000 to $24,999	____	$40,000 to $49,999	____
$10,000 to $14,999	____	$25,000 to $29,999	____	$50,000 to $99,999	____
$15,000 to $19,999	____	$30,000 to $39,999	____	$100,000 or more	____

17

F. Source of Firm's Gross Income

The largest proportion of my firm's gross income is derived from (check one):

Tax Services____ Write-up & Accounting____ Other____ (Explain)_____

18

SECTION II—FEES, INCOME, AND RELATED DATA ON THE FIRM

DO NOT USE

Tax Return Charges

1. What is your firm's charge for preparing the following Federal tax returns?

	Minimum Charge	Average Charge
Form 1040 not itemized	$_____	$_____
Form 1040 itemized	$_____	$_____
Form 1065 (Partnership)	$_____	$_____
Form 1120 (Corporation)	$_____	$_____

2. When preparing Federal, state and/or city income tax returns, does your firm charge one fee for these returns or a separate fee for each return?

   One Fee _____

   Separate Fee _____

   If SEPARATE FEE, is it:

   a. a specified fee? _____
   b. based on a percentage of the charge for the Federal tax return? _____

3. Do you charge any additional fee to represent your firm's clients in the event of an IRS audit?

   Yes _____ No _____

   IF YES, what is the basis for your fee?

	Check One	What is the fee?
a. Hourly fee	_____	$_____ per hour
b. Minimum fixed fee	_____	$_____ fixed fee

Client Characteristics and Billing Methods

4. How many clients, excluding those for whom you only prepare an income tax return, does your firm service regularly, either monthly, quarterly, or annually?

	Number
a. Monthly	_____
b. Quarterly	_____
c. Annually	_____

DO NOT USE

2 — — — — — 5

5. How many of the above clients are *primarily*

No. of clients

a. Write-up accounts
(the accountant provides a bookkeeping service, i.e., journals, ledgers, payrolls, etc., and preparation of periodic financial statements for these clients) _____ — — — 6 7 8

b. Accounting clients
(those clients having a bookkeeper on the premises and the accountant begins his service by working from a pre-adjusted trial balance) _____ — — — 11

c. Audit accounts
(those clients whose accounting records you inspect and which involve analyses, tests, reports, confirmations, proofs, opinions, or disclaimers) _____ — — — 14

6. Please estimate the percentage of your *FIRM'S* annual gross income derived from:

a. Tax services
(preparation of returns, tax counseling, tax examinations, and representation of clients before tax authorities) _____% — — — 17

b. Write-up work)
c. Accounting work) See definitions in No. 5, above.
d. Auditing)

b. _____% — — — 20
c. _____% — — — 23
d. _____% — — 25

e. Management advisory services
(includes systems installations, investigations, cost analyses, and other consulting and management services)

_____% — — 27

f. Other, please describe_____ _____% — — 29

Total Income 100 %

7. What percentage of your firm's billing is based on the following?

a. Fixed fee _____% — — — 32

b. Hourly rate _____% — — — 35

c. Other _____% (Explain)_____ — — 37

Total billing 100 %

DO NOT USE

Hourly and Fixed Fee

8. What is your firm's average hourly fee (including overhead or burden) for performing the following types of service?

   a. Write-up accounts
   (the accountant provides a bookkeeping service, i.e., journals, ledgers, payrolls, etc., and preparation of periodic financial statements for these clients) $_____ — — 38 39

   b. Accounting accounts
   (those clients having a bookkeeper on the premises and the accountant begins his service by working from a pre-adjusted trial balance) $_____ — — 41

   c. Audit accounts
   (those clients whose accounting records you inspect and which involve analyses, tests, reports, confirmations, proofs, opinions, or disclaimers) $_____ — — 43

   d. If your firm has only one fee for the above services, what is it? $_____ — — 45

9. What is your firm's usual billing rate *per hour* (where applicable) for each type of staff employee and yourself? — — 47

   a. Secretarial, stenographic and clerical $_____ — — 49

   b. Junior accountant (0-2 years) $_____ — — 51

   c. Semi-senior accountant (3-4 years) $_____ — — 53

   d. Senior accountant (5 years & over) $_____ — — — 56

   e. Yourself, partners, or associates $_____

10. If your firm has regular clients who are charged a fixed monthly fee, what is the:

    a. Highest monthly fee $_____ — — — — 60

    b. Lowest monthly fee $_____ — — — 63

    c. Average monthly fee $_____ — — — — 67

11. Does your firm perform management advisory services?

    Yes_____ No_____ — 69

    IF YES, what is your average rate per hour for this service?

    $_____ per hour — — — 71

Office and Data Processing Equipment

12. What type of main office facilities does your firm have? (Check one)

    a. Own my office building (individually or with others) _____ — 72

    b. Office space is rented _____ Rent per month $_____ — — — — 76

    c. The office is in my home _____ — 77

DO NOT USE

13. Does your firm have tax returns prepared by a computer service bureau? ____Yes ____No — — — — 3/5

If NO, do you plan to use computer equipment for the 1979 tax filing season? ____Yes ____No — 6

14. Does your firm use data processing other than for tax returns? ____Yes ____No — 7

If YES, does your firm (check a, b, or c) — 8

a. Own equipment? _____

b. Lease equipment? _____

c. Use a service bureau? (1) With input equipment on your premises _____ — 9
(2) With no input equipment on your premises _____

Past Income

15. What was your *FIRM'S* income for the following years:

	Gross income	Net income before taxes, drawings, or salaries to principals	
1976	$ _____	$ _____	— — — — 13 / — — — — 17
1977	$ _____	$ _____	— — — — 21

Expected Income and Expenses for 1978 — — — — 25

16. Please estimate, as accurately as your records permit, your *FIRM'S expected* 1978 income and expenses.

If your *FIRM'S* accounting year is calendar 1978, please estimate your firm's 1978 expected income and costs. If, however, the accounting period is not calendar 1978, please report your latest fiscal year earnings, providing that the fiscal year you report includes at least *six* months of 1978.

a. What do you expect your firm's total gross income will be in 1978? $_____ — — — — 29

b. What do you expect your firm's employment costs will be in 1978?
(1) Wages and salaries for all employees, except principals
(includes vacation pay, sick leave, and overtime) $_____ — — — — 33

(2) Firm's share of employment taxes and benefits for all employees, except principals
(includes retirement, group insurance, unemployment insurance, Social Security, bonuses, profit-sharing) $_____ — — — — 37

Total Employment costs $_____ — — — — 41

c. Gross profit of the firm (income less total employment costs) $_____ — — — — 45

d. What do you expect your firm's total expenses (other than employment costs) will be in 1978? $_____ — — — — 49

e. Net profit before taxes and drawings and/or salaries to principals of the firm $_____ — — — — 53

17. If you are one of several partners or principals, please indicate what your share of the net profit will be. — — — — 57
$_____

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